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Cotton

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WORLD COTTON PROSPECTS

(November and December issues)

Summary

Conditions in late December indicate that the world production of all cotton in the 1935-36 season will probably be about 25,600,000 bales of 478 pounds net. This is 700,000 bales less than the estimate released in early November but is approximately 2,000,000 bales larger than the unusually small crop of 1934-35. The decline in the estimated 1935-36 world production is due entirely to the decline in crop prospects in the United States.

With the domestic crop now officially estimated at 10,734,000 bales the crop in foreign countries is now estimated at 14,866,000 bales. This is 30,000 bales larger than the previous estimate of the foreign production for the current season and is 880,000 bales larger than the 1934-35 foreign crop which, up to the current season, was the largest in history. Although crop prospects have declined in some foreign countries, late reports from others indicate that the earlier crop estimates were too low. (For developments in the individual countries see pages 8 and 9).

Cotton textile mill activity throughout the principal cotton consuming countries of the world continued at a comparatively high level during November and early December. In the United States and a number of European countries total consumption of all cotton in November was in excess of a year earlier and in most cases larger proportions of American cotton are being used. In the Orient mill activity and cotton consumption are at very high levels but somewhat below the peak rates of last season.

Exports of American cotton in November exceeded those of November last year by 98 percent and were slightly larger than the 10-year November average.

Trade reports indicate that domestic exports in December may exceed those of a year earlier by 90 to 95 percent. On this basis total domestic exports for the first 5 months of the season may exceed those of a year earlier by 1,000,000 bales or 40 percent. Exports of Indian cotton during the first 4 months of the current season were, according to official data, slightly less than from August through November last season, but exports of Egyptian were 20 percent larger and were the largest for the period in history.

Prices

Domestic cotton prices rose rapidly during the first half of November with the daily average price of American Middling 7/8 inch cotton in the 10 designated markets advancing from an average of 11.12 cents a pound in the week ended November 2 to an average of 11.97 for the week ended November 17. The rapid advance in the price of spot cotton in the first half of November was not accompanied by a similar rise in futures contracts and by November 20 the price of October futures at New York was about 1 cent below the spot price at the 10 designated markets, indicating a relative shortage in the available supplies of spot cotton. From November 14 to December 7 spot prices remained fairly steady, fluctuating within a few points of 12 cents, but by December 11 had receded to 11-1/2 cents, and from that time to December 26 the 10 market-average fluctuated between 11-1/3 and 11-3/4 cents. The average price in November of 11.98 cents was more than 1 cent higher than October and 1-1/2 cents higher than September. Prices received by cotton producers also increased from October to November, whereas prices farmers pay declined somewhat.

Prices of most foreign growths at Liverpool were relatively stronger than the prices of American cotton during November and early December. In November the prices of Peruvian and Brazilian were higher relative to American than at any time since 1933-34 and prices of Indian were relatively higher than for any month since March 1933. The recent increase in the price of Indian and Egyptian seems to have been due in part to increased freight and insurance rates for ships passing through the Mediterranean. Another factor apparently contributing to the recent strength of Indian cotton at Liverpool is the comparatively low stocks. On December 13 visible stocks of Indian cotton in Great Britain amounted to 18,000 bales compared with 49,000 bales a year earlier, 37,000 bales 2 years earlier. Stocks of Indian cotton in Bombay at about that date were 17 percent lower than a year earlier and the lowest since 1931 despite the fact that the new crop which is considerably larger than last season has begun to move.

Stocks and Movements

Exports of American cotton.- Exports of cotton from the United States in November amounted to over 1,100,000 running bales according to data released by the Bureau of the Census. This was 98 percent greater than in November last year, 24 percent greater than in November 1933, and 1 percent larger than the 10-year November average. Although total exports for the first 4 months of the current season exceeded those of last season by 36 percent, they were still 23 percent less than for the same period in 1933 and 21 percent less than for the 10-year average ended 1932-33. Exports of American to Great Britain, France, Germany, and Belgium account for most of the increase in exports for November and the season. Although exports to Japan in November exceeded those of a year earlier, total domestic cotton exports to Italy, Japan, and China during the first 4 months of the season lagged behind those of the same months in 1934. Trade reports indicate that exports during December continued high relative to last year. These reports show that total exports from August 1 to December 26 this season amounted to 3,446,000 running bales compared with 2,439,000 bales a year earlier.

Exports of Indian cotton.- Exports of Indian cotton in November amounted to something like 152,000 equivalent bales of 478 pounds according to official data. This represents an increase of 10 percent over November last year and is the largest for the month since 1930. For the first 4 months of the season total exports from India amounted to 507,000 equivalent 478 pound-bales compared with 508,000 bales a year earlier and 375,000 bales in 1933-34.

Exports of Egyptian cotton.- Exports of Egyptian cotton in November amounted to 269,000 equivalent 478 pound-bales, according to official data received by cable on December 13. This was 42,000 bales or 19 percent larger than exports in November last year and 66,000 bales or 33 percent larger than the 10-year November average. For the 4 months, August to November, total exports from Egypt amounted to 701,000 bales compared with 585,000 bales a year earlier and were the largest for these months for the period for which data are available. Exports of Egyptian cotton to all of the larger European countries have been unusually large, but exports to Japan have been small in comparison with the last 2 years.

The Textile Situation

United States.- Domestic cotton consumption in November is reported by the Bureau of the Census at about 508,000 bales. This is 8 percent less than in October, 6 percent greater than consumption in November 1934, and the largest consumption for the month since 1929. Consumption for the first 4 months of the 1935-36 season amounted to 1,918,000 bales. This was 201,000 bales or 12 percent larger than for the same period last season but 7 percent less than for the same period in 1933-34. Although there was a slight lull in domestic cotton consumption during the middle of November mill activity showed marked improvement, particularly during the last 2 weeks of the month and continued high during the first 2 weeks of December. Maintained high levels of retail and wholesale distribution of finished goods; a high and rising level of industrial production, especially in the automobile industry; moderate stocks of unsold goods; a large backlog of orders; and Government purchases all help to explain this increase during November and early December.

Europe 1/

The cotton textile situation continued fairly favorable during November in western Europe including Great Britain. In Central Europe the situation was about unchanged, with relatively high activity continuing to be reported in Germany and Austria and with a slight improvement in the basically unfavorable conditions in Czechoslovakia. In Italy, on the other hand, conditions have become worse. A considerable restriction of sales and operations is reported from that country incident to the War developments, particularly the raw material supply position.

Mill business.- Sales of cotton yarn and cotton fabrics by spinning and weaving mills in France and Belgium continued favorable in November, with orders being booked well ahead, occasionally for delivery up to the middle of next year. In England, cloth sales to both home and export markets continued fairly favorable, but the tendency was somewhat quieter than in October; trading in yarn was fairly good, yet distinctly less favorable than last month, despite the firm tone of the raw cotton market and advancing yarn prices. German mill sales of yarn and cloth continued on rather high levels, but showing the tendency toward recession previously reported. Austrian, Hungarian and Yugoslavian mill conditions remained favorable during November and a slight improvement in new orders for cotton spinners was reported from Czechoslovakia, though the level of operations there is still much depressed. Improvement in Czechoslovakia is largely associated with a decline in the case of Italy, whose discontinuance of yarn deliveries, notably to Yugoslavia, has widened Czechoslovakian export outlets to that country. New sales in Italy are reported steadily dwindling under pressure of diminishing purchasing power.

Mill activity.- Cotton mill activity in Europe as a whole, did not change greatly in November as compared with October. Although favorable levels were maintained in Great Britain and operations further increased in France and probably also Belgium, these seem fully offset by severe restriction in Italy, although there has been a lack of definite information on the latter country since the publication of all statistical reports was prohibited in November. Cotton mill activity in Germany, while still comparatively high, has slightly receded in sympathy with business developments. Activity is holding at favorable levels in Austria and other Danubian countries, but remains comparatively low in Czechoslovakia, although with the recent improvement in sales it may soon increase.

Raw buying.- European cotton spinner and merchant buying of raw cotton during the month of November was fairly active on the whole. Italy, of course, was not in the market to any great extent, except for rather heavy buying and importing of Egyptian cotton in October and early November. French and Belgian spinners seem to have been quite active buyers of raw cotton in November in the face of advancing raw prices, and in England there was a healthy demand particularly for American cotton. German purchases and imports of American cotton have recently increased, interest centering mainly in low qualities; this business is reported to have been done largely on a compensation basis. The limited foreign exchange allotted was said to have been used for the acquisition of better qualities of American.

1/ Based largely upon a report from Agricultural Attache Lloyd V. Steere at Berlin, dated December 9, 1935.

Great Britain.- Conditions continued favorable in the British cotton textile industry during the month of November, but a slight recession from the recent high level of activity in business and in mill occupation is indicated by several reports. Inquiries for cloth from India and the East were generally good, with a fair business passing also for Egypt and West Africa. Owing to the political and economic situation in China, however, there seems to be no prospect of immediate resumption of a larger amount of business in that direction. Inquiry in the yarn market, despite a firm tone and advancing prices, is reported to have been slow, with an occasional active period of demand for American coarse and medium counts.

At Liverpool there was a fair volume of business and a very firm undertone in the raw cotton market in November. Prices advanced steadily throughout November, and it is reported that smaller hedge selling and the reduction in the American crop as well as the larger figures on world spinner takings of American cotton, contributed to the strong tone in the market. Prices for Egyptian cotton also advanced considerably; the heavy Italian buying and importing of such cotton in the early part of November reduced available supplies to a significant extent. As to spot turnover, business included mainly American cotton but also some other varieties.

Germany.- Conditions in the German cotton textile industry underwent no significant change during the month of November, though a slightly downward tendency previously evident in new sales of cotton yarn and cotton cloth continued. Mill occupation remained relatively high, but likewise tended to recede slightly in sympathy with developments in the yarn and cloth markets. Raw material supplies continued relatively favorable as far as can be judged on the basis of August - October import figures, but occasional scarcity of desired qualities was reported more frequently than had been the case for some time. This is in agreement with the increased imports of American cotton of very low grade and shorter staple varieties which do not normally constitute such a large share of German imports. That the demand for low qualities in Germany has been strong is confirmed, not only by trade reports but also by the extraordinary advance in the "basis" for low grade and short staple American as quoted by a number of Bremen merchants.

As a result of the increased sales and shipments of American cotton to Germany, the percentage of American cotton in German importations has risen considerably and was higher in October than in any month since October last year. Supplies from Brazil have also held up well, and there was recently an increase in importations from Iran as well as Argentina, but takings from Turkey have fallen off considerably for seasonal reasons, and supplies from Peru have also tended to decline. Imports from Egypt and India have recently remained about level with previous months.

Increasing concern is being felt in German textile quarters about the future of their raw cotton supplies. The principal worry is the probability of a severe reduction of importations from Brazil which have gone so far toward replacing American cotton in 1935; these imports are likely to be curtailed significantly in the near future since deliveries

against old contracts will soon be exhausted and new purchases are almost impossible because of the refusal of the Brazilian Government to sell raw cotton on other than a cash basis. What little foreign currency the German authorities allotted for several weeks prior to early December (the time this statement was prepared) for purchases of raw cotton has been used almost exclusively for the importation of American, even though a large share of the low quality American reported purchased was paid for largely on a compensation basis. It should be remembered, however, that a seasonal increase in supplies will soon be available from Turkey, where the crop is apparently slightly above last year.

Raw cotton stocks within German customs boundaries were further reduced as of the beginning of December. Stocks of cotton at Bremen amounted to 147,500 bales on December 2, 1935, as compared with 348,000 bales and 564,000 bales 1 and 2 years ago. Raw cotton stocks at spinning mills are also indicated to have been further reduced to a level appreciably below August 1, 1935. If this is true, it would appear that spinning mill activity was well maintained during the first 3 or 4 months of the current season, since imports plus the indicated decline in stocks indicate a relatively favorable mill consumption.

Czechoslovakia.- Conditions in the Czechoslovakian cotton textile industry experienced a slight improvement during the month of November, with second shift activity reported in some establishments.

As mentioned previously, the discontinuance of Italian cotton yarn deliveries to Yugoslavia has opened an increased export outlet for Czechoslovakia as well as Austria - but it does not appear that this increase in exports is sufficient to improve materially the basically critical and depressed state of the cotton textile industry in Czechoslovakia.

Austria.- Conditions in the Austrian cotton textile industry continued favorable during the month of November; spinning mills still reported an activity of around 100 percent of single-shift capacity. Occupation in the cloth mills also improved and was described as more satisfactory than had previously been the case. Exports of cotton fabrics, however, were depressed and most of the mills were working for the home market only. Previous expectations of an increase in cotton yarn business with Yugoslavia were realized following the discontinuance of yarn exports from Italy to Yugoslavia.

France.- Conditions in the French cotton textile industry improved further in November, the general activity being greatly stimulated by the firm undertone of the raw cotton market. New business in cotton yarns as well as cotton cloth was active, particularly at Rouen, where the weekly sales figure for cotton yarn the middle of November was a record one for the last 5 years. Notable betterment also occurred in the East, which is favored by lower wages and general costs as compared with the North. As to prospects for the future, however, some uncertainty is expressed by competent observers, because of the continuance of difficult political and general economic conditions and the outlook with respect to the monetary and price level situations.

Italy.- The suspension of the publication of official foreign trade and industrial occupation statistics in Italy in November renders it very difficult to get an accurate picture of the situation in the Italian cotton industry, since information regarding the state of sales and mill activity as well as imports and exports cannot be obtained, except occasionally from trade sources. From reliable trade information it appears that bookings of new orders are on a very unsatisfactory level and that cotton mill activity slowed down considerably in November. Although no definite figures on the actual amount of raw cotton still at the disposal of the Italian industry are available, it has been indicated by trade reports that supplies about the end of November were relatively small and were estimated as only covering requirements for a period of about 2 months. As is frequently the case under similar circumstances, however, raw material supplies may be considerably underestimated. Newspaper reports around the end of October stated that the pre-sanction imports into Italy of raw cotton, notably of Egyptian origin, were of considerable volume, some reporters speaking of an assured supply for about 6 months; this may also be an exaggeration unless production is materially curtailed. Much depends, of course, on the permitted rate of mill activity. The very pronounced economic tension which has developed has already greatly curtailed general consumption and buying activity, and this trend is likely to continue for some time to come.

China 2/.- Chinese cotton mills at Shanghai in early December were operating at 65 percent capacity, while the Japanese mills were operating near capacity, Several mills were expected to reduce operations if the existing unfavorable relations between raw cotton and yarn continued. Demand for yarn and piece goods were not sufficient to raise prices in line with raw cotton. For this reason, practically all mills in China were reporting that spinning and weaving operations were unprofitable. On December 13, yarn for February delivery was quoted at 14.01 cents per pound.

November arrivals of the new Chinese crop at Shanghai were quite heavy, amounting to 146,852 bales of 500 pounds. Imports of foreign cotton continued at low levels; during October China imported a total of 4,796 bales, consisting of 2,206 bales American, 1,329 Indian, 1,162 Egyptian, and 99 bales from all other cotton-growing countries. In October 1934 China's imports of raw cotton amounted to 14,467 bales, of which over 8,000 bales were American. Preliminary figures for Shanghai arrivals for November 1935 included 5,906 bales American, 2,400 Indian, 146,852 Chinese, and 1,321 bales Egyptian, a total of 156,479 bales. Foreign imports for October through December are expected to be the smallest in 10 years. At mid-December orders for American cotton for December and January shipment amounted to about 15,000 bales and none was booked from India. At that time mills were reducing their production of higher-count yarn. With continued high prices for yarn and piece goods, brought about by Chinese currency inflation, and higher prices for foreign cotton, it is expected that the consumption of foreign (non-Chinese) cotton will be below the early 1935-36 estimate of 400,000 bales.

2/ Based largely on a radio report from Acting Agricultural Commissioner Fred J. Rossiter, at Shanghai on December 14.

Japan 3/.- Mill activity in Japan was maintained at a comparatively high level in November although it was somewhat lower than the peak level of November last year. Total yarn output in November was reported at 296,000 bales of approximately 400 pounds which was slightly larger than that of October, the largest since last June, but 27,000 bales or 8 percent less than the record consumption of November 1934. Total yarn production from August to November amounted to 1,160,000 bales compared with 1,208,000 bales a year earlier and 1,061,000 bales in the first 4 months of 1933-34.

Cloth exports from Japan were comparatively high in October and November. In October they amounted to 234,000,000 square yards, the largest since May 1935, 11 percent larger than in October last year and the largest for the month in history. The Egyptian restrictions against Japanese cloth were deferred and account in part for the comparatively large exports. In November cloth exports from Japan totaled 221,000,000 square yards, which was 5 percent smaller than November last year but with that exception, the largest for the month in history. Total cloth exports from August to November amounted to 895,000,000 square yards compared with 857,000,000 square yards in the first 4 months of 1934-35 and was the largest for this period in history.

Total cotton imports into Japan and imports of American cotton in October were comparatively small. Japanese manufacturers are said to have delayed purchases thinking that prices might be lower as a result of the loan program. With stocks of raw cotton declining to the lowest level for many years Japanese buyers have within the last several weeks placed orders for fairly large quantities.

Production, Acreage and Crop Conditions

United States.- The 1935 domestic crop was estimated as of December 1 at 10,734,000 bales at 478 pounds net. This is 407,000 bales less than the November estimate but 1,100,000 bales larger than the 1934 crop. With the exception of last year's crop, however, it is the smallest since 1923. The estimated acreage left for harvest this season was placed at 27,331,000 acres. This is slightly larger than the 26,987,000 acres harvested last season. With the exception of last year this is the smallest acreage harvested since 1901. It is 33 percent lower than the average acreage harvested during the 5 years ended 1932.

The estimated yield per acre this season is 188 pounds which compares with 170.9 pounds per acre in 1934 and an average of 177.1 for the 10 years 1924-1933. The estimated yield per acre in all of the major cotton producing states with the exception of Texas and Oklahoma is equal to or larger than the 10-year average yield. In Texas the indicated yield per acre as of December 1 was 138 pounds compared with the 10-year average of 144 pounds and in Oklahoma the estimated yield this year is 108 compared with an average of 160 pounds.

3/ Based largely on radiograms from Vice Consul McConoughy at Kobe transmitted through the office of the Agricultural Commissioner at Shanghai, China on December 5 and December 14.

India.- A crop of 4,479,000 equivalent bales of 478 pounds from an area of 24,130,000 acres planted up to December 1 is expected in India this year, according to the first official estimate of production and the third official estimate of acreage. This estimate of production is 17.7 percent larger than the corresponding estimate of the 1934-35 Indian crop and the estimate of acreage, 6.7 percent larger than the corresponding acreage estimate for last season. On the average for the last 10 years the area planted up to December 1 has represented approximately 93 percent of the total, and the estimated production from this acreage 96 percent of the total crop. It is expected, therefore, that in the absence of unusual weather and insect damage, the final official acreage and production estimates will be larger than the above estimates. On the basis of the relation between the first and last estimate of the 1934 crop as well as the average relation of these two estimates for the last 10 years, it would be expected that the final official estimate of the total Indian crop would probably be around 4,700,000 bales. This would represent an increase of almost 700,000 bales over the official estimate of the total Indian crop of 1934-35. Trade estimates of the 1935-36 Indian crop have been reduced somewhat as compared with the early estimates. In general, however, most unofficial estimates still indicate an increase over the 1934-35 crop equal to or in excess of the increase indicated by the official estimate of the Indian Government. In view of the apparent decline in crop prospects, it is believed that there is some justification for expecting that the final estimate of the Indian Government might be somewhat less than is indicated on the basis of the relation between the first and last production estimates last year and on the average for the last 10 years. For the time being, therefore, the Indian crop will be tentatively estimated at 4,600,000 bales as compared with the Indian Government's estimate of 4,023,000 bales for the 1934-35 crop. This would be the largest Indian crop since 1928-29 when, according to official figures, 4,838,000 bales were produced, but would be considerably less than the 5,200,000 bale crop of 1925-26. Some trade estimates have indicated that the 1935-36 crop would approximate or even exceed that of any previous year.

China.- The 1935 cotton crop from China is now expected to be about 20 percent less than the 3,125,000 bale crop of last year, according to Acting Agricultural Commissioner F. J. Rossiter in China. This would mean a crop of approximately 2,500,000 bales and is slightly less than the earlier estimates. While the current crop is 20 percent less than the record 1934-35 crop it is still 10 percent larger than the average production in China for the 5 years ended 1933-34 and 19 percent larger than the average for the 10 years ended 1932-33. It is possible that the estimate of the 1935-36 Chinese crop may be further reduced later, but according to information available to the Agricultural Commissioner's Office at Shanghai, the recent estimate of the Chinese Cotton Statistics Association indicating a crop of a little less than 2,200,000 bales is too low.

Except for unfavorable weather conditions the current crop might easily have exceeded the record crop of 1934-35 for it is estimated that the area planted this year was 6,965,000 acres, but that about 1,866,000 acres were abandoned because of dry weather in northern China at planting time and because of July floods in the Yangtze Valley. The area planted this year exceeded the 6,827,000 acres planted last year by

approximately 2 percent. It exceeded the average acreage for the 5 years ended 1933-34 by 27 percent and the average acreage for the 10 years ended 1932-33 by 46 percent.

Russia.- According to official reports from Russia the Soviet Cotton Procurement Plan was fulfilled by November 27 or 20 days earlier than stipulated. The total quantity of unginned cotton reported as having been procured was 1,515 metric tons or the equivalent of approximately 2,270,000 bales of 478 pounds of lint. The latest estimates pertaining to last year's crop indicate that the total outturn was equivalent to approximately 1,670,000 to 1,750,000 bales of lint cotton depending upon the conversion factor used as the production of seed cotton was placed at 1,170,000 to 1,175,000 metric tons. It is reported that the procurement campaign for the current year was continuing and that the outturn of the crop was expected to exceed 2,400,000 bales.

The officially estimated 1935 procurements given above, if actually achieved, would imply a considerable increase of cotton yields not only above the low yields of last year, but also above those of other recent years. Some doubt arises, however, whether such a large increase in Russian cotton yields even with the improvement of the technique of cultivation seems likely in the face of weather conditions during the growing season which have been reported as somewhat unfavorable. An additional factor to be considered in this connection is that the early reports of procurements from the 1934 crop ran above 1,900,000 bales and were subsequently scaled down to about 1,670,000 - 1,750,000 bales. Until later reports become available, it is believed advisable to assume that the Russian crop will probably be something like 2,000,000 bales, although this figure may subsequently be revised upward.

Egypt.- The 1935-36 Egyptian crop is now estimated at 1,750,000 bales of 478 pounds, according to the Egyptian Government's second estimate released the first Monday in December, which was received by cable through the International Institute of Agriculture at Rome. This revised estimate represents an increase of 40,000 bales over the first estimate released the first Monday in October and is 184,000 bales larger than the 1934-35 crop, but 27,000 bales less than the record crop of 1933-34.

The current Egyptian crop is being harvested from an area estimated at 1,733,000 acres which is slightly less than the acreage of the previous season. The smaller 1935 acreage is believed to have been due to the comparatively high prices received for the 1934-35 grain crops. Cotton ginnings in Egypt from September 1 to the end of November have amounted to 1,086,000 bales of 478 pounds net, including scarto or linters, according to a cablegram from the International Institute of Agriculture at Rome. This compared with 873,000 bales ginned to the end of November 1934. Of this season's ginnings, 93,000 bales were of the Sakellaridis variety and 971,000 bales of other varieties, compared with 84,000 and 772,000 bales, respectively, during the corresponding period last season. Total ginnings during the 1934-35 season amounted to 1,566,000 bales.

Brazil.- The second official estimate for the 1935-36 cotton crop in northern Brazil released by the Brazilian Government about the middle of December was 839,000 bales of 478 pounds. While this was about 200,000 bales less than the first official estimate, it was somewhat higher than the average trade estimates which have been received and is 16 percent larger than estimated production in the Northern States last season, which prior to the current crop was the largest in history. The reduction in this year's estimate has been attributed to excessive rains.

Comparatively little information has been received relative to crop prospects in Southern Brazil for the current season, but without very unusual weather and insect damage, the 1935-36 crop in this section of Brazil which will be harvested next spring is expected to be somewhat larger than the record crop of 1934-35.

At the present time it seems likely that the total 1935-36 Brazilian crop will amount to at least 1,500,000 bales and unless the crop in the Northeastern States turns out to be less than now estimated by the Brazilian Government, it is not unlikely that the total crop will exceed 1,500,000 bales. With this total estimate of 839,000 bales for Northern Brazil, the Southern States would have to produce only 660,000 bales which would be very little larger than the estimated 1934-35 southern Brazilian crop.

Mexico.- The 1935-36 crop in Mexico is, according to the second estimate of the Mexican Government, estimated at 235,000 bales of 478 pounds. This is about 25,000 bales larger than the previous estimate, 12,000 bales larger than the 1934 crop, but 25,000 bales less than the 1933-34 crop.

Except for unfavorable weather conditions both at planting time and during the growing season, the current Mexican crop might well have approached the level reached in 1926-27 despite dry weather conditions at planting time, which is reported to have prevented the planting of some cotton. The total acreage is estimated at 585,000 acres, which is about 40 percent larger than that of the 1934-35 acreage, 205 percent higher than the unusually low acreage of 1932-33 and only 28,000 acres or 5 percent less than the peak acreage of 1926-27. Due to unfavorable weather, the yield per acre is estimated at 191.7 pounds compared with 255 pounds the previous year an average for the 10 years ended 1934-35 of 260 pounds per acre and is the lowest for any year for which estimates are available.

Other countries.- Estimates of 1935-36 crops for a number of minor countries have been received. In Chosen the crop is now estimated at 175,000 bales compared with 136,000 bales the year before and a previous peak of about 150,000 bales. In Manchuria the current crop is estimated at 56,000 bales compared with 86,000 bales the year before, the decline being due to very unfavorable weather conditions. In Bulgaria the crop is reported to have increased to 39,000 bales this year compared with the previous peak of 18,000 bales reached last season. In Greece the current crop is estimated at 62,000 bales which is also a new high level, and exceeds that of the previous year by 72 percent. In Nyasaland the 1935-36 crop is now estimated at 15,000 bales compared with the 1934-35 crop of 8,000 bales, which, prior to the current year was also the largest in history. In Turkey the crop for the current season is unofficially estimated at approximately 200,000 bales. This is about 40,000 bales larger than the 1934-35 crop and 75,000 bales larger than the 1933-34 crop.

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WORLD COTTON PROSPECTS

(January and February issues)

Summary

Conditions in late February indicate that the world production of all cotton in the 1935-36 season will probably be about 26,000,000 bales of 478 pounds net. This is an increase of 400,000 bales over the estimate released in early January, and it is approximately 2,400,000 bales larger than the 1934-35 crop. The increase of 400,000 bales over the previous estimate is due mainly to prospects for larger crops in India and Russia and to some extent to larger crops in minor producing countries.

The domestic crop for this season is 10,734,000 bales, and foreign production is now estimated at 15,266,000 bales. This is 1,280,000 bales larger than the 1934-35 foreign crop, which, up to the current season, was the largest produced. The present estimate seems to be relatively conservative, especially since the previous production estimates for China and Brazil are being carried unchanged, whereas late reports from the latter country indicate that the earlier estimate was probably considerably too low. Excluding Russia, the estimated foreign production for the present year is 13,016,000 bales as compared with 12,275,000 last year or an increase of about 740,000 bales or 6 percent.

The first estimate of the Bureau of Agricultural Economics of total world acreage for 1935-36 is 76,000,000 acres, as compared with 73,600,000 last year. This is an increase of 3 percent in acreage accompanied by an increase of 10 percent in production. Assuming that the above figures are approximately correct, foreign acreage has increased from 46,613,000 in 1934-35 to 48,669,000 acres in 1935-36, or between 4 and 5 percent.

Cotton mill activity throughout the principal cotton consuming centers of the world continued at a high level during December, January, and the first half of February, and cotton consumption for the 6 months ended January 31, compared favorably with the same period last year. Throughout the world as a whole, the proportion of American cotton being used is considerably larger than last year. Total forwardings of all cotton to the mills of the world from August 1 to February 14 were 11,045,913 bales of 478 pounds this year as compared with 9,706,668 bales in 1934-35, an increase of nearly 14 percent. Forwardings of American cotton increased from 6,538,468 to 7,955,313 bales or more than 21 percent. In the Orient, however, forwardings of American cotton to mills have been less than last year, and, although stocks are low at the present time, the large Indian crop and the probability of a slackening in the rate of expansion in the Japanese industry make it seem likely that the consumption of American cotton will be about the same as it was last year.

Exports of American cotton for the 6 months ended January 31 were approximately 40 percent above those for the same 6 months last year. Exports for January were a little less than 13 percent above those a year ago, in part, at least, reflecting the extremely short supplies of good quality cotton in the hands of the trade. In order to take care of this situation and in order to dispose of government cotton stocks at an advantageous time, the spot stock of the Producer's Pool was reopened to bids on February 13, according to trade reports, and up to February 19 the Pool had sold 85,000 bales of spot cotton.

Exports of Indian cotton for the first 6 months of this year declined slightly as compared with last year. Exports of cotton from Egypt were more than 15 percent above those for the same period last year, and were nearly equal to the record high for the period reached in 1933-34.

Prices

Domestic cotton prices have been relatively stable during the last 2-1/2 months; although they have displayed some tendency to fall. The average price of Middling 7/8 inch cotton in the 10 designated markets for the week ended December 7 was 11.97 cents per pound, and for the week ended February 22, 11.32 cents. The average price for the month of December was 11.70 cents for January 11.62 cents. Following the decision of the Supreme Court relative to the Agricultural Adjustment Act prices declined to 11.26 on January 9, but recovered swiftly and were 11.65 and 11.72 for the weeks ended January 18 and 25 respectively, as compared with 11.71 during the week just preceding the decision. The spread between spot and futures prices increased still further during December and January. The average price at the 10 spot markets of 11.70 cents during December and 11.62 cents during January was 0.89 and 1.35 cents respectively, above October futures at New York during the same months. During November the average difference was 0.71 cents. This wide margin for spot cotton over futures reflects an increased domestic and foreign demand and relatively short supplies of privately held cotton in the United States as compared with trade opinion regarding prospective supplies for next autumn. Prices received by cotton producers declined from 11.6 cents in November to 11.4 in December and to 11.1 in January. Index numbers of prices paid by farmers, including interest and taxes, were 126 during November, December, and January.

Prices of foreign cotton were relatively strong during November, December, and January. The ratio of three types of Indian to two types of American was 81.6 in October, 84.4 in November, 84.1 in December, and 83.1 in January. The ratios for November, December, and January represent the highest relative price for Indian since March 1933. Egyptian Uppers and Brazilian have also strengthened materially during the last 3 months, especially during December and January.

One factor tending to keep the price of Indian relatively strong is the fact that stocks of Indian continue to be relatively low in spite of the large Indian crop. Reported stocks in Bombay on February 28 amounted to 624,000 bales as compared with 739,000 at the same time last year, and in Great Britain stocks of Indian cotton the same date were nearly 40 percent under a year ago.

Stocks and Movements

Supply of American cotton in the United States.- On January 31, the total stock of all cotton in the United States, including both government controlled cotton and private stocks, was approximately 10,700,000 bales, according to the New York Cotton Exchange Service, of which more than 5,000,000 were in the hands of the Government, leaving only about 5,600,000 "free". While both domestic consumption and exports have been higher so far this year than last on the assumption that

domestic consumption and exports during the rest of this year will be about the same as last, only about 1,200,000 bales of "free" cotton will be left at the end of the season. Should consumption and exports continue for the remainder of the season as high relative to a year earlier as in the first half of the season, the supply of privately held cotton would be exhausted. The Government will have an opportunity to dispose of a substantial part of its stocks. It was announced early in February that the manager of the Staple Cotton Cooperative Association had been authorized to receive offers for any part or all of approximately 25,000 bales of long staple cotton held in the 1933 Cotton Producer's Pool. In addition, it was announced that offers would be received from the trade for the purchase of not more than 50,000 bales of pool cotton listed for sale with the American Cotton Cooperative Association. The sales are not to be made below price levels prevailing at the points at which the cotton is located.

The response of the trade to this offer of the Producer's Pool has been very heavy. Up to February 13, the day when the pool stock was reopened, bids had been received for a total of about 247,000 bales, and it is reported that within a few days later further bids had been received, bringing the total amount bid for to over 500,000 bales. Up to Wednesday, February 19 the pool had actually sold approximately 85,000 bales of spot cotton, including long staple as well as short staple. At the end of December the pool held about 628,000 bales of spots. (Bales of 500 pounds gross). During January, it took delivery of 14,000 bales on January futures contracts, making its total holdings of spots at the end of January 642,000 bales. The sales of about 85,000 bales to February 19, left the pool's spot cotton on that date about 557,000 bales. During the same period the pool reduced its holdings of futures from 900,000 to 815,000 bales. Thus since December the pool has reduced its total holdings of spots and futures combined from 1,528,000 to about 1,372,000 bales, a decrease of approximately 156,000 bales. Since the first of last November, the pool has reduced its total holdings of spots and futures by 237,000 bales.

Exports of American cotton.- Exports of raw cotton from the United States in January amounted to 526,000 bales compared with 877,000 bales in December and 466,000 bales in January 1935, according to reports of the Bureau of the Census. Exports for the 6 months, August to January, were 3,986,000 bales compared with 2,865,000 in the corresponding period of 1934-35. Although this season shows an increase of 39 percent over last, it is still more than 21 percent below the average for the same 6-month period during the 10 years 1923-24 to 1932-33. Exports to the United Kingdom and to France have increased by approximately 100 percent as compared with the same period last year and those to Germany were up 147 percent from 196,000 to 484,000 bales. Poland, Canada, Belgium, and the Netherlands have taken increased quantities. Shipments to Japan have been about the same, while those to Italy, China, and Sweden have declined considerably.

Exports of Indian cotton .- Exports of Indian cotton to all countries amounted to 207,000 bales of approximately 478 pounds during December and to 350,000 bales during January, as compared with 198,000 and 297,000 for the same months last year. Exports for the 6 months ended January 31 aggregated 1,152,000 bales or a decline of 3.5 percent from last year but an increase of 37 percent over 1933-34. Exports to the United Kingdom were substantially higher than for either last year or the year before in spite of the fact that exports of American cotton to the United Kingdom were nearly double those for the same period last year. Exports to the Continent of Europe were up slightly from last year but those to Japan and China were down nearly 17 percent.

Exports of Egyptian cotton.- Exports of Egyptian cotton were 201,000 bales of 478 pounds in December and 154,000 in January as compared with 179,000 in December and 151,000 in January 1934, according to official estimates. The 10-year average for December is 190,000 bales and for January 151,000. For the 6 months ended January 31, exports from Egypt aggregated 1,055,000 bales, which was slightly less than in 1933-34 but an increase of 15 percent over 1934-35. Shipments to the United Kingdom increased nearly 40 percent over the same period last year and were above the 10-year average. Exports to Germany were 92,000 bales as compared with 50,000 last year and the 10-year average of 55,000. Exports to Italy declined nearly 27 percent and those to Japan by nearly 50 percent from 1934-35, although in both cases they were above the 10-year average.

The Textile Situation

United States .- Domestic cotton consumption in December is reported by the Bureau of the Census at about 498,000 running bales. This is 2 percent less than consumption in November, but nearly 20 percent greater than consumption in December 1934 and the largest consumption for the month since 1928. Consumption in January amounted to about 591,000 bales which was nearly 8 percent greater than last year, and the highest for the month since 1929. Consumption for the 6 months ended January 31 of 3,007,000 bales is the highest since the same 6-month period ended January 31, 1930. Mill activity during both December and January and the first half of February has been at a level about equal to the 1922 to 1927 average, according to the New York Cotton Exchange. This is true in spite of the shortening of the work week since 1933 from 5-1/2 to 5 days. Mill activity has shown very little recession since January 6, in spite of the fact that readjustment of goods prices to the removal of the processing tax and uncertainties concerning the imposition of new taxes have severely curtailed purchases of yarn and finished goods. Manufacturers are apparently not disturbed by some reduction of orders and some accumulation of stocks because of the belief that continued improvement in business activity and employment, the continuance of government expenditures and the depleting of retailer's stocks will force a resumption of large purchases from mills.

Europe 1/

The final month of 1935 and January of 1936 was characterized by continued slight improvement in the cotton textile situation in France, Belgium, Czechoslovakia, Austria, Poland and some of the minor manufacturing countries in southeastern Europe, but somewhat quieter tendencies prevailed in England and unsatisfactory conditions persisted in Italy. The restriction in Italian manufacturing and exports appears to have been one direct cause of the reported improvement in the situation in Czechoslovakia, Poland, southeastern Europe and, to some extent, Austria. Southeastern Europe has been an important market for Italian yarns and cloth, and with Italy dropping out, demand has been shifting to offerings from other countries and partly, also, toward home production. The position in Germany has remained substantially unchanged.

Mill business.- European mill sales of cotton yarn and cotton fabrics have shown marked resistance in the case of France and Belgium, to the normally quieter tendencies during December, and continued fair through January. However, sales were somewhat reduced in Great Britain, where export orders for piece goods played a relatively more important role than home demand; British spinners of coarse American yarns continued to receive orders in favorable volume, but spinners of fine yarns, particularly those using Egyptian, experienced a notable curtailment in new orders.

Substantially unchanged conditions in Germany were accompanied, nevertheless, by some further tendency toward slackening new business in both spinning and weaving mills. In Czechoslovakia, a slight further improvement in business was reported by the still depressed industry, but there appear to be scant hopes for an expansion of this movement, which is largely a result of increased demand from southeastern Europe incident to reduced yarn and fabrics supplies from Italy. It is understood that the Czechoslovakian National Bank and the Government have felt it necessary (for foreign exchange considerations mentioned in more detail under Czechoslovakia) to adopt measures which will prevent further expansion in Czechoslovakian exports of cotton yarn to Austria and southeastern European countries.

A considerable further revival in mill business was reported from Austria in December, where orders have now been booked for several months ahead. These new orders are largely a result of increased Rumanian buying interest, notably for cotton yarn, but there has also been increased business to some other south-European countries which are lacking the usual supplies from Italy. Poland has likewise profited somewhat by the disappearance of Italy from the yarn and cloth export markets; it is reported that the Lodz industry has been able to sell appreciable quantities in Egypt. The home industry in Hungary and Yugoslavia is very active, and the latter reports plans to erect new cotton spinning mills in Slovenia.

1/ Based largely upon a report from Agricultural Attache Lloyd V. Steere, at Berlin.

Greece has also experienced increased export demand because of the discontinuance of Italian offers, and is striving to participate in the generally improved export possibilities. It appears, however, that the industry is hampered by restrictive measures similar to those in Czechoslovakia, since the increased importation of raw cotton demanded by the Greek mills had not as yet been permitted in December by the authorities, despite the industry's undertaking to purchase all of the domestic cotton crop.

No information, statistical or otherwise, is now available from Italy directly, but trade reports from outside the country indicate that the cotton mill situation in Italy has become worse, and sales as well as activity in the mills continue to be further restricted.

Mill activity.- Cotton mill activity in the chief European countries in December and January has shown no significant change as compared with October and November, and was generally in line with the developments in mill business. Great Britain reported continuance of the high level of mill activity in the coarse American spinning section, but slight declines were evident in the fine American and Egyptian spinning branches. Weaving mills have maintained fairly well the previous improved level of occupation, but in some districts there were signs of looms running out of work. Operations in France were well maintained throughout the whole of the month of December, partly contrary to seasonal tendencies. Spinning mill activity in October, which is the last month for which statistics are available, was more than 20 percent above October 1934 levels, but weaving mill activity was below last year. A slight expansion in mill operations has occurred in Czechoslovakia as well as Poland, and in Austria the present activity was perhaps 25 percent in excess of single shift capacity. This was approximately 20 percent above the already favorable level of 1934. Weaving mill activity in Austria was running 10 percent above last year. Statistics for Germany are not available for recent months, but it appears that spinning as well as weaving mill activity, while probably slightly curtailed during the winter, have maintained satisfactory levels. Italian mill activity, as already indicated, has been further curtailed. A slight improvement in mill activity has occured in Belgium, Spain, and Holland, according to French press reports.

Raw cotton buying.- The slightly downward tendency of raw cotton prices throughout December, and the political uncertainty in Europe and apprehension regarding the outturn of the United States Supreme Court decision on the Agricultural Adjustment Act and the Bankhead Act, have made for cautious buying of raw cotton in most European countries. Trade reports have stated that the possibility of gradual and significant releases of United States Government cotton also contributed to the cautious attitude of spinners. At the present time the shortage of desirable qualities of American cotton is being felt abroad as well as in the United States. Liverpool reports to the New York Cotton Exchange indicate that southern shippers have been trying to arrange cancellations of February-March sailings of Middling 15/16 and above. In Germany, buying interest continued to be directed increasingly toward American cotton, since cotton obtainable under compensation or clearing arrangements is quoted to German buyers at excessive premiums over "devisen" cotton which

makes American cotton very attractive if foreign exchange can be obtained for its purchase. While, as has been pointed out in the discussion of exports, the last few months have seen greatly increased takings of American cotton, the calendar year 1935 was characterized by a tremendous increase in the importance of foreign cotton relative to American. In 1935 imports of cotton other than American constituted approximately 70 percent of all imports into Germany, as compared with 45 percent during 1934 and 20 percent during 1933. Up until the last 2 years anywhere from 80 to nearly 100 percent of Germany's cotton imports have come from the United States. The unfavorable foreign exchange situation and resulting barter arrangements have been responsible for this shift. Brazil, formerly an insignificant source of Germany's cotton imports, was a close second to the United States during 1935.

Great Britain.- Somewhat less favorable developments in the cotton yarn and cloth markets were reported from Great Britain during December and January. It was indicated that sales and mill activity in the coarse American spinning section continued favorable, but that there has been a slackening home demand for fine American as well as Egyptian yarns and for fabrics therefrom. Export demand for the latter seems to have continued fair for shipments to many parts of the world, but complaints continue to be received regarding business to China and India.

Somewhat increased sales of Egyptian yarn to Germany and Austria were reported at the beginning of January. The increased demand from Austria is apparently due to the recent yarn export quota measures introduced by Czechoslovakia.

Mill activity in the spinning section was generally well maintained, but in some districts there have been signs of looms running out of orders.

Germany.- The cotton textile situation in Germany showed no significant change in December as compared with the previous 2 months, although some slackening in mill sales, notably of cloth, as well as in mill activity seems to have occurred. Sales of cotton yarn have apparently held up well and are even reported to have increased slightly in places at the beginning of December in anticipation of the holiday season. The industry continues to experience raw material difficulty, notably from the standpoint of quality and price, but acute shortage has not been actually encountered to date. This appears to have been escaped through the decline in sales, both wholesale and retail, during the past several months. Textile retail sales in those months showed a considerable decline in volume as compared with last year, when there was an abnormal volume of buying because of the expectation of price increases and quality deterioration. Pre-holiday retail sales in December, on the other hand, proved quite satisfactory and reduced retailer stocks.

The influence of the recent change in the regulation of mill manufacturing 2/ (which became effective January 1) upon the German cotton textile industry is difficult to ascertain. The industry has been working for

2/ See our Special Report No. 95 - Germany: Spinning Material Law.

over a year at a reduced rate of overation prescribed by the Government. This new set of regulations does away with working time restrictions, and places control of the industry's rate of activity on a basis of raw material supply. The individual cotton manufacturers have been allotted basic quotas based on the average monthly quantity of cotton used between January 1, 1933 and June 30, 1934. The working quota is a percentage of the basic quota, and is assigned according to the availability of raw material. The basic cotton quota is reduced in cases where it seems "more proper" to the control board that the manufacturer should use a larger quantity of synthetic or staple fiber. Manufacturers generally do not seem to have been disappointed by the change, since it gives them somewhat more flexibility of disposition, enabling shifts in the utilization of the quarterly manufacturing quotas which have been introduced.

Czechoslovakia.- Conditions in the cotton textile industry of Czechoslovakia improved slightly during December, mainly as a result of increased export demand from southeast European countries which are now cut off from the customary Italian sources of supply. The prospect of increased export business which this movement opened, however, has been definitely impaired by the Czechoslovakian Government's introduction (beginning with January 1) of export quotas for cotton yarns of all kinds to the four clearing countries, Rumania, Yugoslavia, Austria, and Bulgaria. The total monthly contingent for these four countries is to be $340,000 as compared with monthly average exports worth $520,000 in the third quarter of 1935.

The decision to restrict and to prevent further expansion of cotton yarn exports to these countries is based upon the view that the raw material, out of which the yarns are manufactured, must be paid for by Czechoslovakia with foreign exchange, although she can collect payments for the yarns exported to these clearing countries only according to the provisions of the clearing agreements. 3/ This measure, although probably necessitated by the currency situation, discloses the difficulties in inter-European economic relations. The management of currencies, so as to prevent current adjustment to their equilibrium levels, adds more and more to the existing restrictions on the movement of goods across borders and necessitates further drastic governmental action, all of which tends to impair both current business and future prospects of many individual lines of industry. The development in Czechoslovakia, while probably of no great significance for the European cotton industry as a whole, may lead to some additional shifts in sources of supply for the Balkan countries.

As a result of the somewhat improved flow of new orders, activity in the Czechoslovakian cotton mills increased slightly in November and December.

3/ It is claimed that from 75 to 80 percent of the value of yarn exports consists of raw material costs which must be paid for by Czechoslovakia in foreign exchange, while she can collect the prices realized for the yarn exported to Austria and southeastern European countries only after considerable delay and in the form of imported goods, that is, through the channels of the existing clearing arrangements.

Austria.- The situation in the Austrian cotton textile industry, notably in the spinning branch, was very favorable in December. Spinning mill activity was about 125 percent of single shift capacity, or 20 percent more than at that time last year. Weaving mills were also well occupied. The general improvement in the booking of new orders, particularly for yarns, was largely due to much increased demand for cotton yarn from Rumania. Buying from other southeastern European countries, under the influence of the Italian withdrawal, also contributed to the increase in orders.

The recent decision of the Czechoslovakian Government to contingent the exportation of cotton yarns to the clearing countries, including Austria, raised the question of a reorientation of Austrian imports of Egyptian yarns which used to come largely from Czechoslovakia. It is reported that both England and Switzerland were able to sell Egyptian yarn to Austria in increasing quantities at the beginning of January. It is furthermore reported that Austria is considering the expansion of home production of Egyptian yarns, which, however, may necessitate increased investment in machinery since many existing spindles have become obsolete for this purpose.

France.- Generally speaking, the improved conditions that prevailed in the French cotton textile industry in November were well maintained in December and January. Both bookings of new orders for spinners and weavers and mill activity have held up well, contrary to usual seasonal tendencies. Spinning mill activity in the month of October, the last month reported, was 20 percent above October 1934, but weaving mill activity was below last year.

New orders received by spinners during the first half of December were of favorable volume in all sections of the textile regions, but business in Normandy and eastern regions declined in the second half, when the holiday season set in. Roubaix-Tourcoing, on the other hand, continued to report a favorable volume of yarn sales up to the end of the month. At the end of December, there was also a revival in cloth sales, which, contrary to yarns, had been quiet in the first half. December raw material purchases by the industry were of moderate volume, and cautiousness prevailed. There has been considerable recent buying, however, by Alsatian spinning mills.

Italy.- Neither statistics nor general information on the situation of the cotton textile industry has been obtainable from Italy since the outbreak of hostilities in East Africa. It is indicated, however, by competent trade observers in the surrounding countries that the position of the cotton industry is unsatisfactory and that operations have been severely curtailed incident to current shortage of raw material and necessity of economizing what is still available. For the time being, Italian exporters have lost their business and other countries have taken Italy's place in supplying southeastern Europe, as well as other regions, with cotton yarn and fabrics. A French press report indicated on December 14 that Italian cotton mill activity was then only 65 percent of normal.

Southeastern Europe.- The domestic textile industries in southeastern European countries were well occupied during December and January, particularly the spinning mills, which have benefited from the lack of Italian yarn supplies. In Yugoslavia, consideration is being given to the establishment of new spinning mills in Slovenia, and in Greece increased export possibilities have given spinners opportunities to add to unfilled orders. The authorities, however, appear reluctant to issue permits for the importation of additional raw cotton, according to newspaper reports, and seem to have impaired the chances of Greece taking part in the current increase in export business available. Other information indicated that increased importation of foreign cotton has been in principle approved by the Government, but that the absence of executive regulations was still preventing in practice actual importation at the end of the year.

Japan 4/.- The Japan Cotton Spinners' Association reported that member mills produced 295,000 bales of cotton yarn during December 1935, compared with 296,000 in the preceding month and 320,000 in December 1934. For the calendar year 1935, yarn production totaled 3,562,000 bales (of 400 pounds each), compared with 3,473,000 in 1934.

Cotton cloth exports during December amounted to 209,000,000 square yards, according to the Japan Cotton Merchants' Union. Preliminary returns show total exports for the calendar year 1935 as 2,711,000,000 square yards, an increase of 143,000,000 over 1934 shipments.

The following comment on the cotton yarn trade outlook in Japan is from the January 31, 1936, issue of The Textile Weekly, published in Manchester, England:

"A forecast which has been made concerning the outlook for cotton yarn in Japan this year is marked by its pessimistic tone. The year is expected to be a difficult one. A large number of new spindles (estimated at 1,000,000) are waiting to be installed, so that, despite curtailment in production, monthly output may top 300,000 bales. On the other hand, domestic consumption will, it is thought, not exceed that of 1935; in addition there is the competition of rayon and staple fiber, prices of which are relatively low, to be reckoned with. Moreover, in view of the increasing tendency throughout the world in the direction of economic nationalization, maintenance of the large export trade of 1935 is likely to prove difficult. It is therefore felt that the cotton yarn market will continue to be depressed."

Exports of American cotton to Japan in January were 156,000 bales as compared with 149,000 last year and 1,060,000 for the 6 months ended January 31 as compared with 1,059,000 bales for the same period last year. In view of the outlook for textile activity a substantial increase in the consumption of American cotton does not seem likely. A further factor unfavorable to American cotton is the large Indian crop which has only recently begun to move in large volume. It is the opinion of the trade that unless considerable quantities of cotton held by the United States Government are released, it seems likely that the price relationship between Indian and

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4/ Based on radiograms received January 29 from Commercial Attache Frank S. Williams, Tokyo.

American during the next few months will be such as to favor the use of Indian cotton. It is also believed that Japan is tending more and more to distribute her cotton purchases so as to influence trade and tariff policies in countries which produce raw cotton but import cotton textiles. It is reported that decreased Japanese purchases of Egyptian cotton during the last few months represent, in part at least, a deliberate attempt to bring about an early completion of an Egypto-Japanese trade agreement. At the same time Japan is reported to be buying cotton from a large number of minor producing countries with the idea of discouraging prospective increases in their duties on Japanese textiles.

China 5/.- A seasonal increase in textile demand following the Chinese new year slack period is beginning, and a somewhat improved general tone in the market is evident following an improvement in the currency situation in China, but the next few weeks will show whether there is any significant permanent improvement in demand.

Arrivals of Chinese cotton at consuming centers have been materially larger than for the same time last year despite the smaller supply. Deliveries to mills of Chinese cotton have been nearly a third larger than for the same period a year ago. It is evident that stocks will be reduced to a low level as the season draws to a close.

Consumption of all cotton by spinning mills for the season to date is materially below that of last year, with decreases shown principally in American and Indian; but as available Chinese cotton has been proportionally used up faster this season from a shorter supply, it is expected that the demand for foreign cotton will strengthen some in the coming months and that total consumption will approximate that of last year. Since stocks are very low, imports for the season should equal those of last year.

Total mill consumption of all cotton will probably fall somewhat short of last year's consumption, which is a moderate offsetting factor. Japanese mills are operating about full time, while Chinese mills show an activity of approximately 75 percent.

Prices of Chinese cotton during the past month have advanced, while Indian has declined, thus bringing Indian into a more favorable position; and some commitments are expected, although present amounts ordered are small. American cotton declined to a smaller extent than Indian. Yarn prices did not keep pace with advance in Chinese cotton, but parity with relation to foreign cotton is somewhat better.

Piece goods imports for the season October to December declined to a third less in value than those of a similar period last year. Exports were also less, with net imports remaining nearly a million gold units smaller than for the period October to December 1934. Yarn exports showed a somewhat smaller decrease, not fully offsetting the decrease in piece goods imports providing import statistics are proportionally complete both years. Stocks of American cotton in Shanghai public warehouses on January 31 were only

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5/ Based partly on a radiogram from Acting Agricultural Commissioner Fred J. Rossiter on February 14 and February 24.

a little more than a fourth of those a year ago, 23,000 bales of 500 pounds as compared with 83,000 bales. Stocks of all cotton including Chinese were 33 percent less than a year ago. However, the large supply of Indian cotton may deflect a considerable part of the expected increase in the demand for imported cotton away from American.

Production, Acreage, and Crop Conditions

World.- Total production of all cotton in 1935-36 is now estimated at 26,000,000 bales of approximately 478 pounds net. With the American crop officially estimated at 10,734,000 bales, foreign production is placed at 15,266,000 bales. This is an increase of 1,280,000 bales or approximately 9 percent over the 1934-35 crop. Excluding the Russian crop, the estimated increase in foreign production is about 740,000 bales, or 6 percent. Considerable increases in production are anticipated in India, Egypt, and Russia and in some of the smaller producing countries such as Uganda, the Anglo-Egyptian Sudan, Bulgaria, Greece, and Nyasaland. Reports from Brazil indicate that present estimates of the crop in that country will likely be revised upward.

The first estimate of world acreage of 76,000,000 acres is largely accounted for by an increase in foreign acreage from 46,613,000 to 48,669,000 acres, or between 4 and 5 percent. Changes in acreage as compared with estimates for the same period last year are 25,025,000 as compared with 23,443,000, or an increase of 7 percent for India, 1,733,000 for Egypt as compared with 1,798,000, or a decrease of 4 percent, a slight increase for Russia, and large percentage increases for Greece, Bulgaria, Syria and Lebanon, Mexico, and Paraguay. Foreign acreage exclusive of Russia is about 5 percent above 1934-35 and 16 percent above the 10-year (1923-24 to 1932-33) average.

India. A cotton crop of more than 4,750,000 bales of 478 pounds from an area of 25,025,000 acres is expected in India this year, according to the latest official estimates. This production estimate represents an increase of about 21 percent over the revised estimate of 3,935,000 bales for the 1934-35 crop made at this time last year, and it is 18 percent above last season's unrevised final estimate of 4,023,000 bales from 23,830,000 acres. The average for the 5 years ended with the 1933-34 crop was 4,050,000 bales from 24,015,000 acres.

So far this season fairly good weather conditions and moderate insect damage seem to favor a comparatively high yield. If these conditions continue favorable, the final estimate may be slightly higher than the current estimate. Present official estimates represent an increase of 150,000 bales over our estimate of 4,600,000 bales released early in January and an increase of 1,082,000 acres or 7 percent over the revised corresponding estimate of acreage planted in 1934-35. Considerable interest attaches to the question of whether or not this anticipated increase of 750,000 bales as compared with last year and the average for the last 5 or 6 years will be accompanied by a significant increase in the quantity of the crop 7/8-inch or longer in staple length.

Soviet Russia .- Data for December 11 indicated that by that time cotton procurements were 4.6 percent in excess of the Cotton Procurement Plan. In a later speech, however, the Commissar of Agriculture of the Union stated that more than 33,000,000 pounds of cotton fiber had been procured this year. This would mean nearly 2,500,000 bales of ginned cotton. This represents an increase of 750,000 bales or more above the 1934-35 crop which has been estimated at from 1,670,000 to 1,750,000 bales of lint cotton.

In the last copy of Cotton Prospects released early in January it was stated that the Russian estimate of an outturn of 2,400,000 bales could only be realized providing a very heavy increase took place in yields. It was also stated that the early reports of procurements from the 1934-35 crop were subsequently scaled down roughly 200,000 bales. In the light of these considerations the Russian crop for 1935-36 was estimated at from 2,000,000 to 2,200,000 bales. The most recent report however, asserts that there has been a very large increase in cotton yields throughout Russia as a whole, and especially in Usbekistan. It is reported that Usbekistan, the most important cotton producing region of the Union has exceeded its processing plan by a considerable margin. One third of the total cotton production of Usbekistan in 1935 was produced in regions whose yields ranged from 300 to 400 pounds per acre according to the Commissar of Agriculture. Last year only one-fourth of all the regions of Usbekistan harvested such a yield. Yields above 400 pounds per acre were harvested in regions producing 24 percent of the crop as compared with only 7.5 percent in 1934. In spite of what seems to be an overly optimistic estimate as to yields it is believed advisable to assume that the Russian crop will be somewhere between 2,000,000 and 2,500,000 bales, with the likelihood that the final figure will be nearer to the upper than to the lower limits of the range.

Egypt .- The official estimate of the 1935-36 Egyptian crop remains unchanged at 1,750,000 bales of 478 pounds. The movement of the Egyptian crop into trade channels has been very rapid this year. During the first 4 months of the season a record was established both for arrivals at Alexandria and for exports. Ginnings from September 1 to February 1 amounted to 1,476,000 bales of 478 pounds as compared with 1,226,000 for the same period last year. Of this season's ginnings, 152,000 bales were of the Sakellaridis variety and 1,293,000 bales of other varieties, compared with 146,000 and 1,055,000 bales, respectively, during the corresponding period last season.

Other countries.- Latest reports place production in the Anglo-Egyptian Sudan at 240,000 bales as compared with 227,000 last year. This is an increase of 40,000 bales over the estimate released early in January. The prospective crop in Uganda is now placed at 255,000 bales as compared with 206,000 for last year.

Cotton, American and all kinds: Production, carry-over, supply, consumption, and exports, 1920-21 to date

Season beginning Aug. 1	American						
	Domestic exports from the United States	United States pro-duction	Carry-over beginning of season: In United States	Carry-over beginning of season: World	Total supply	Consumption: In United States	Consumption: World
	1,000 running bales	1,000 478 lb. bales net	1,000 running bales	1,000 running bales	1,000 mixed bales 1/	1,000 running bales	1,000 running bales
1920-21	5,745	13,429	3,278.9	2/6,338	19,767	4,677	10,035
1921-22	6,184	7,945	6,360.7	9,393	17,338	5,613	12,755
1922-23	4,823	9,755	2,664.9	5,162	14,917	6,322	12,665
1923-24	5,656	10,140	2,129.0	3,304	13,444	5,353	11,100
1924-25	8,005	13,630	1,439.4	2,705	16,335	5,917	13,270
1925-26	8,051	16,105	1,503.8	3,386	19,491	6,176	13,736
1926-27	10,927	17,978	3,413.6	5,495	23,473	6,880	15,777
1927-28	7,542	12,956	3,663.0	7,696	20,652	6,535	15,407
1928-29	8,044	14,477	2,425.6	5,114	19,591	6,778	15,066
1929-30	6,690	14,825	2,129.8	4,421	19,246	5,803	13,015
1930-31	6,760	13,932	4,321.7	6,287	20,219	5,084	10,901
1931-32	8,708	17,095	6,262.7	8,868	25,963	4,744	12,316
1932-33	8,419	13,001	9,580.5	12,960	25,961	6,004	14,171
1933-34	7,534	13,047	8,081.1	11,588	24,635	5,553	13,534
1934-35 3/	4,799	9,636	7,647.5	10,634	20,270	5,240	11,338
1935-36 3/		10,734	7,137.7	9,009	19,743		

Continued -

Cotton, American and all kinds: Production, carry-over, supply, consumption, and exports, 1920-21 to date - Cont'd.

Season beginning Aug. 1	All kinds					
	World production including China	Carry-over beginning of season		Total supply	Consumption	
		In United States	World		In United States	World
	1,000 478 lb. bales net	1,000 mixed bales 4/	1,000 mixed bales 4/	1,000 mixed bales 4/	1,000 running bales 5/	1,000 running bales
1920-21	21,007	3,563.2	6/11,185	32,192	4,893	17,600
1921-22	15,434	6,534.4	13,774	29,208	5,910	21,165
1922-23	19,262	2,831.5	9,636	28,898	6,666	22,142
1923-24	19,695	2,325.0	6,869	26,564	5,681	20,423
1924-25	24,930	1,555.5	6,002	30,932	6,193	23,308
1925-26	27,931	1,609.8	6,936	34,867	6,456	24,687
1926-27	28,417	3,542.6	9,484	37,901	7,190	26,138
1927-28	24,031	3,762.4	11,657	35,688	6,834	25,540
1928-29	26,763	2,536.6	9,657	36,420	7,091	25,872
1929-30	26,671	2,312.0	9,076	35,747	6,106	25,201
1930-31	26,121	4,530.4	11,281	37,402	5,263	22,481
1931-32	27,594	6,370.0	13,634	41,228	4,866	22,319
1932-33	23,938	9,677.8	16,954	40,892	6,137	24,353
1933-34	26,569	8,164.6	16,035	42,604	5,700	25,111
1934-35 3/	23,622	7,743.7	16,069	39,691	5,360	25,763
1935-36 3/	25,600	7,208.6	13,624	39,224		

Division of Statistical and Historical Research, Bureau of Agricultural Economics. Exports, Carry-over in United States and consumption in United States of American cotton from Bureau of the Census. Production of American from Crop Reporting Board. World carry-over of American and all kinds from official and trade sources. Supply is production plus carry-over. Consumption in world from International Federation of Master Cotton Spinners' and Manufacturers' Association. World production are estimates of this division based on official and reliable trade sources and International Institute of Agriculture.

1/ Production in bales of 478 pounds net, carry-over in running bales.
2/ Estimates of New York Cotton Exchange.
3/ Preliminary.
4/ American in running bales, all other in bales of approximately 478 pounds.
5/ American in running bales; small amount of foreign in bales of approximately 478 pounds.
6/ Estimates of Merchant's National Bank of Boston.

MAY 13 1936

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Division of Statistical and Historical Research
Washington

C-126 & 127

April 16, 1936

WORLD COTTON PROSPECTS

(March and April issues)

Summary

Cotton mill activity throughout the principal cotton consuming centers of the world continued to run at a high level during February and March. World consumption of all growths of cotton so far this year has been running at the rate of about 27,000,000 bales a year. If this rate of consumption continues throughout the rest of the season a new high will be established. American cotton continues to form a larger proportion of total consumption than was the case last year. The New York Cotton Exchange Service estimates world consumption of American in February at 1,036,000 bales as compared with 932,000 in February 1935. Mill activity in February and March in the United States and in most European countries has shown little change from the comparatively high level maintained during recent months.

Conditions in the textile industry in Japan, as indicated by yarn output and by trade reports, are somewhat improved as compared with last month, but are not quite so good as during February a year ago. However, the large supply and lowered price of Indian cotton is the most important factor which is at present discouraging the consumption of American cotton in Japan.

The release of cotton held by the Commodity Credit Corporation in the loan stock will have a significant bearing on consumption and exports for the season and the carry-over on August 1 next. Attention is now

centered on the plan announced on April 4 by the Commodity Credit Corporation which will permit the release to producers borrowers between now and September 1 of up to 1,000,000 bales of cotton now in the loan stock. The total spot sales of the Producer's Pool amounted to a little over 400,000 bales from February 1 to April 3. Total sales of spots and futures were approximately 588,000 bales.

Exports of American cotton were 406,000 bales in February as compared with 390,000 in February 1935. This is an increase of only 4 percent over the same month a year earlier and compares with an increase of 35 percent for the first 7 months of the present season over the same 7 months last season.

The latest report by the Bureau of the Census on cotton ginned places the American crop at 10,635,000 bales of 478 pounds net weight, a reduction of 99,000 bales from the previous figure of 10,734,000 bales. However, our last month's estimate of total world production in the 1935-36 season of 26,000,000 bales of 478 pounds net remains unchanged. The estimate of foreign production has been raised from 15,266,000 to 15,365,000 bales, or by the amount of the decline in the domestic crop, on the basis of indications that production in China and Brazil will probably be larger than was previously anticipated. The first preliminary estimate of acreage harvested in the 1935 season still stands at 76,000,000 for the world and 48,669,000 acres for foreign countries.

Prices

The tendency for domestic cotton prices to fall slightly, which was evident during January and February, was halted early in March, and prices during the last 2 or 3 weeks have shown increased strength. The average price of Middling 7/8 inch cotton in the 10 designated markets averaged 11.18 cents during the week ended February 29 and the week ended March 7, but were 11.33, 11.38, 11.53, and 11.61 cents for the weeks ended March 14, 21, 28, and April 5 respectively. The average for the month of March was 11.38 as compared with 11.32 in February.

Prices have been strengthened by a continuation of the relatively high level of cotton mill activity and general business conditions in this country, a shortage of desirable qualities of spot cotton outside of government hands, and larger exports and increased consumption of American cotton in foreign countries so far this year as compared with the same months last year. On the other hand, some factors, such as the general feeling throughout the trade that there will be some increase in acreage, even though it be moderate in amount, the prospective emergence of relatively few weevils this spring as a result of the unusually cold winter, the leveling off of mill activity in this country and abroad, and recent price relationships more favorable to the consumption of foreign cotton, have tended to offset the strengthening factors mentioned above.

Prices of foreign cotton have tended to weaken. The ratio of three types of Indian to two types of American at Liverpool was 84.1 in December, 83.1 in January, 81.7 in February, and 80.1 in March. However, in spite of the recent tendency for the prices of foreign cottons to decline relative to the price of American, price relationships are more favorable to the consumption of American cotton in foreign countries than was the case a year ago. The ratio of three types of Indian to types of American as given above for February and March, respectively, of this year compares with 74.8 and 75.7 during the same months last year. Brazilian cotton, in particular, has lost the price advantage which it enjoyed in the 1934-35 season. At the beginning of 1934-35, Liverpool spot market quotations on Sao Paulo Fair were 4 percent below American Middling; at the beginning of the current season this discount was down to 1½ percent, and in December, January, and February, Sao Paulo was 2 percent above American Middling. Such shifts in price relationships are, of course, fully effective only in markets where different growths of cotton compete freely.

Stocks and Movements

Trade reports continue to stress the increasingly tight position of privately held cotton. The New York Cotton Exchange Service has estimated that the total domestic stock of American cotton at the end of February, including all cotton held by growers, merchants, spinners, and the spot cotton held in government stocks was about 9,785,000 running bales or approximately 1,000,000 bales less than a year ago. Roughly, 4,900,000 bales were in the hands of the Government, of which nearly 4,500,000 bales consisted of cotton held under the 10 and 12 cent loan agreements. As was pointed out in the release of last month, should domestic consumption and exports during the balance of the year be the same as last season the amount of "free" cotton left in merchandising channels at the end of the year would be something like 1,250,000 bales, if the Government did not release a substantial amount of its holdings. A contraction of domestic consumption and exports below their improved level so far this year as compared with last year might take place if the Government was not to take advantage of this favorable opportunity to dispose of a substantial quantity of its holdings. Trade reports state that the shortage of American cotton is considerably more acute than is indicated by statistics showing the small supplies of American cotton in merchandising channels around the world. This situation arises from the shortage of certain desirable qualities outside of government hands. There are surpluses of some qualities, and those cottons are moving into consumption reasonably fast and at relatively low prices.

The Commodity Credit Corporation announced on April 4 that it will release to producer borrowers or their authorized agents up to 1,000,000 bales of cotton held under the 1934 12-cent loan 1/, or whatever fraction of 1,000,000 bales borrowing producers may desire to sell prior to September 1, 1936. Producers may obtain the cotton from the Commodity Credit Corporation by paying to the Corporation an amount equivalent to 25 points less than the average current market price of Middling 7/8 inch staple at the 10 markets on the preceding day. Provided, however, that no cotton under the 12-cent loan will be released for less than 11¼ cents per pound, and no cotton held under the 11-cent loan will be released for less than 10¼ cents per pound. In fairness to all borrowers, cotton which has had its value increased through concentration in a central market will have the cost of freight, compression, and patches added to the minimum release price. Premiums accruing by reason of grade and staple will be added to the 25 points difference between the 10-market price and the price at which the loan stock cotton may be taken over by producers.

This plan in effect provides that borrowing producers under the loan agreement may, between now and September 1, acquire up to 1,000,000 bales of cotton now in the Government-loan stock, the amount of cotton actually disposed of depending upon the extent to which its passage into trade channels affects the price. Borrowers who obtain release of their cotton may sell it through customary channels and in such quantities and at what times they desire, although the Commodity Credit Corporation reserves the right to require that a reasonable amount of the loan cotton be sold if the market will absorb it at minimum or better prices. The Government, in addition to absorbing the interest and carrying charges on the loan cotton, makes a further maximum concession of three fourths of a cent per pound from the amount loaned.

The Producers' Pool has continued to dispose of some of its holdings to ready buyers. At the close of business on Friday, April 3, its spot stock amounted to approximately 234,000 running bales. This is a reduction of 408,000 bales since the last of January when its total holdings of spots was 642,000 bales. Since February 1, the Pool's total holdings of futures have been reduced from 821,000 to 641,000 or by 180,000 bales, making a total sale of both spots and futures since February 1 of about 588,000 bales.

Exports of American cotton.-Exports amounted to 406,000 bales in February as compared with 390,000 bales in February 1935. This represents an increase of approximately 4 percent and compares with an increase in January of 13 percent over January a year ago. Exports for the 7 months, August to February, totaled 4,410,000, or about 35 percent more than for the same period last year. Figures for January and February indicate that total exports for the present season are not likely to show as much of an improvement over last season on a percentage basis as shipments abroad during the first half of the present season indicated. However, preliminary figures released by the trade make it appear probable that exports during March will compare more favorably with last year than did exports in February. During February, the United Kingdom, France, Germany, Canada, and Belgium each took approximately twice as much American cotton as in February 1935, while exports to Japan, China, Italy, and Spain declined heavily.

1/ Twelve cents loaned on cotton of 7/8 inch staple or above and 11 cents on cotton less than 7/8 inch in staple length.

The Textile Situation

World Consumption

Preliminary figures are now available showing the course of world cotton consumption during the first 7 months of 1935-36. According to statistics of the New York Cotton Exchange Service, world consumption of all kinds of cotton amounted to 15,731,000 bales of approximately 478 pounds net during the 7 months, August to February, of this season as compared with 14,974,000 bales for the same period last year and 15,062,000 in 1933-34. Consumption for this first 7 months of the season is about 5 percent above 1934-35 and 4 percent above the same 6 months in 1933-34. The increase over last year is mainly accounted for by a rise in the world consumption of American cotton from 6,597,000 bales to 7,190,000 bales, or 9 percent, although the consumption of American cotton so far this year is nearly 1,100,000 bales, or more than 13 percent less than it was during the same 7 months in 1933-34. World consumption of foreign cotton was lower during November, December, and January than during the same 3 months last year, although for the whole period August to January, consumption was 90,000 bales more than for the same period last year and 1,557,000 bales more than in 1933-34. World consumption of American cotton is continuing to run above that for last year, consumption of American cotton in February having recently been estimated at 1,036,000 bales compared with 932,000 in the same month last year.

It will be seen from the above consumption estimates that the world consumption of all cotton in the first half of the season was at the record-breaking rate of about 27,000,000 bales a year. The previous maximum for any single season is 25,800,000 bales. If world consumption during the remainder of the year continues at the rate established so far this season, consumption will exceed by 1,000,000 bales the latest estimate of production in the 1935-36 season of 26,000,000 bales. If we were to substitute a figure for estimated commercial cotton production for the figure of total production, world mill consumption would show a still greater excess over estimated production, since parts of both the Chinese and Indian crops are used in household spinning. World cotton mill consumption is at this high level in spite of the competition of rayon and other competing fibers, continued widespread unemployment, trade barriers, and a shortage of foreign exchange in numerous countries. Some of the reasons advanced as an explanation of this rise in consumption are: a rather high level of industrial production, which in the leading countries of the world is now mostly up to the pre-depression level, new uses for cotton goods; low cotton prices which tend to stimulate cotton consumption, especially in foreign countries where the demand for cotton is more elastic; the production of increased quantities and better qualities of cotton by foreign cotton growing countries; the comparative freedom of raw cotton from tariffs and quotas which directly affect its movement; and the great expansion of textile manufacturing in the Orient with resulting lowered prices to consumers. The belief is expressed that the mill consumption of cotton in the near future may grow to even larger proportions unless the growth of world production and trade which has been under way since the summer of 1932 is checked by war. However, when thinking of the consumption of American cotton it is necessary to remember the probable effects of the large foreign crop most of which moves into trade channels during the second half of the season. It should

be noted also that, in spite of the increased consumption of American cotton as compared with last year, the record high rate of world consumption is due primarily to the very high rate at which the world is using foreign growths. Consumption of foreign growths throughout the world in August-February of this season is estimated to have totaled 8,541,000 bales compared with 8,377,000 in the same period last season and an average of 6,842,000 in the past 5 seasons. Thus, while the consumption of American shows an increase of 9 percent over the same 7 months last year, it has declined slightly as compared with the average world consumption during this period from 1930-31 to 1934-35. The consumption of foreign cotton shows an increase of 2 percent and nearly 25 percent respectively, over last year and the average for the last 5 years.

United States.- Textile activity during most of February and March continued to run close to the 1922-1927 average, according to the New York Cotton Exchange Service Index of Cotton Manufacturing. March and the latter part of February found the mills in a less strong position with respect to sales and stocks, although it has had very little effect on activity. The volume of cloth sales, while of fair volume, has been lagging behind production and cloth prices have been irregular and margins on standard unfinished goods have narrowed. With uncertainties about government policy as to production control, disposition of its cotton holdings and the imposition of processing taxes, trade reports indicate that there has been some hesitation in making cloth purchases ever since the Supreme Court decision on the Agricultural Adjustment Act was handed down. Cotton consumption in February amounted to 516,000 bales as compared with 478,000 in February of last year. This is an increase of between 7 and 8 percent over last year. Consumption for the 7 months ended February 28 was between 11 and 12 percent greater than in the same period last year. At the present time interest of the trade is centered on New England where it has been reported that floods have caused serious damage to textile plants. The trade feels that if the damage approaches the amount reported, consumption in the latter part of March and in April will be adversely affected.

Europe 2/.- The new year opened with quite favorable conditions prevailing in the cotton textile industry of western Europe and the Danubian countries except Czechoslovakia. In Italy as well as Czechoslovakia, the situation was unpromising and in Germany, though mill occupation was still fairly satisfactory, there were increasing difficulties in the procurement of adequate supplies of raw cotton, especially of the desired qualities, and the outlook was not too favorable.

During January and February, mill sales of cotton yarn and cotton cloth retained fair levels in England and Germany, despite slackness in certain items, and German sales of yarn were even fairly good except for Egyptian counts, which experienced severe competition from British offers. France and Belgium as well as other Danubian countries reported a good revival in mill business following the quiet holiday period. The Czechoslovakian cotton industry continued to report a very unsatisfactory mill business, aggravated by the restriction of the National Bank on the exportation of cotton yarn to various clearing countries.

2/ Based largely upon a report from Agricultural Attache Lloyd V. Steere at Berlin.

Cotton mill activity in Europe continued on fairly favorable levels in England, western Continent and parts of Central Europe, but remained very unsatisfactory in Czechoslovakia and Italy.

Raw cotton buying.- Buying of raw cotton by European cotton spinners and merchants during January and February was somewhat hampered by the downward trend in raw cotton prices and uncertainty as to legislative developments in the United States affecting the possible control of 1936 acreage. Purchases by Germany and Italy continued to be especially restricted by the lack of foreign exchange in these countries, but it is evident from export figures that during recent months German consumption of American cotton has increased considerably as compared with a year ago.

The unsatisfactory quality of those exotic growths that are still available to Germany on a Reichsmark basis is indicated, by numerous reports, to be becoming a serious problem; increased importation of very undesirable types of raw cotton which have only limited uses, such as some low grade Brazilian and Chinese, have had to be checked by the authorities. It has been reported that negotiations over a conditional withdrawal or modification of the May 1935 decision of the Brazilian Government to export cotton only against payment in devisen 3/ are going on. It is apparently essential for Germany to make some arrangement for the procurement of the necessary qualities of raw cotton if the industry is to avoid further curtailment of operations.

Utilization of staple fiber.- Increased production of mixed cotton and staple fiber yarns by cotton spinning mills in Germany has recently been reported from various parts of the country. The increased utilization of staple fiber by German spinning mills is accounted for by the officially acquired admixture, effective January 1, of 16 percent of staple fiber, on the average, to the bulk of the cotton consumed by spinning mills. Since this admixture would replace raw cotton to the extent of approximately 150,000 bales of 478 pounds annually, the mills will find it difficult, at least for a time, to secure the necessary staple fiber, German production of which in 1935 was only about 70,000 bales of 478 pounds net, and a good share of which was mixed with wool. On the other hand, some was used in the manufacture of fabrics made entirely from staple fiber. It is anticipated that the completion of factories now under construction will permit the production of staple fiber to be pushed up to an annual rate of 200,000 bales by sometime in 1936.

Staple fiber production in Italy has been estimated by the Snia-Viscosa to have been equivalent to 130,000 bales of 478 pounds net in 1935 and the production program for 1936 is reported to be 200,000 bales.

3/ The decree of the Brazilian Government provided in effect that payment for Brazilian cotton could be made only in a freely accepted international standard of value. This prevented Germany from continuing to purchase large quantities of Brazilian cotton and making payment in blocked or compensation marks which could be used only in the purchase of German goods.

England 4/ .- January and February business in the British cotton trade continued relatively satisfactory although some complaints were heard regarding yarn business, notably in the Egyptian section. Business in piece goods was mixed, with cautious buying from India, and a very poor volume of demand from China was reported throughout the period. Somewhat better export business developed in the trade with the Dominions and South Africa.

Deliveries of raw cotton to spinning mills in Great Britain continued on relatively high levels in February with deliveries of American that month slightly below January, although considerably higher than a year earlier. Employment in the cotton industry during January was slightly lower than in December, notably in the weaving branch, but spinning showed little or no decline.

Raw cotton imports into Great Britain so far this season have been high and compare very favorably with takings 1, 2, and 3 years ago. The share of American cotton continued to maintain its great increase over last season, and it is expected that this favorable relationship will continue for the remainder of the season. British stocks of raw cotton remain low in comparison with previous years.

Trading in American cotton at Liverpool was reported to have been dull during February because of uncertainty concerning legislative developments in the United States in regard to possible further control of acreage. Uncertainty as to what policy will be followed with respect to the sale of American Government cotton was also a factor reported to have been of considerable influence.

Germany.- Cotton sales and occupation in January and February continued relatively satisfactory, though Egyptian cotton spinners complained of severe British competition. It also has been reported that new orders for yarn and cloth, especially for later delivery, were placed with caution, and that the wholesale trade was still less inclined to buy than had been expected for the spring season.

Increased utilization of staple fiber and production of mixed yarns has occurred since January 1 as a result of the required admixture of 16 percent staple fiber, on an average, to the quantity of raw cotton utilized, according to an unpublished ordinance of the cotton supervisory office, contained in a circulating letter to each spinning mill. This order required the admixture of varying percentages of fiber in the manufacture of cotton yarn of medium counts, the average admixture being estimated at 16 percent of the raw cotton utilized in the manufacture of medium counts, or about 150,000 bales of 478 pounds annually. Since present German production of staple fiber is still much below that figure (1935; 70,000 bales, of which a good share was manufactured into pure staple fibre fabrics or mixed with wool), spinners will find it difficult to comply with the ordinance. As a matter of fact, staple fiber factories are now reported to be flooded with orders and are sold out for several months ahead. It is expected that the completion of the new plants in the summer will provide increased supplies. German staple fiber production in 1936 is expected to rise to a rate of 200,000 bales per annum sometime during 1936. Reports from the Textile Fair at Leipzig indicate that mixed cotton and staple fibre piece goods have had rather good business.

4/ Based largely on the report prepared in the office of the Agricultural Attaché at London, dated February 28, 1936.

Raw cotton buying by German spinners and merchants continued restricted in January and February, but increased quantities of cotton, notably Turkish and other exotic types, have been acquired on a Reichsmark basis. It is surprising how well German raw cotton imports have been maintained so far this season. August - January 1935-36 imports amounted to 830,000 bales, compared with only 489,000 bales imported in August - January 1934-35, 950,000 bales in the corresponding period of 1933-34, and 927,000 bales in August - January 1932-33. The share of American cotton taken has increased appreciably in recent months, but it is said that this increase as well as the recent increase in total imports is largely due to the importation of undesirable low grades of cotton (American, Brazilian, Chinese, etc) which has but limited uses. The authorities are reported to have had to put a check to further purchases of such cottons the availability of which, against payment in marks, has apparently been a temptation to accumulate stocks.

Importation of all cotton spinning material (raw cootn, cotton waste, regenerated cotton) has also been rather high, and supplies retained (imports less exports) in August - January 1935-36 have been much higher than in 1934-35 when reduction of the now depleted stocks occurred. As a matter of fact, retained supplies in August - January 1935-36 even approximated those of the corresponding period of 1933-34 when imports were unrestricted and ran fairly high. There has been, however, an important shift from cotton toward cotton waste and other cotton materials, and the share of cotton waste and other material in the total was much larger in 1935-36 than in 1933-34.

Czechoslovakia.- Conditions in the Czechoslovakian cotton textile industry during January and February continued unsatisfactory and were even further aggravated by the restrictions on the exportation of cotton yarn to Austria, Yugoslavia, Rumania, and Bulgaria imposed by the National Bank 5/.

Compulsory cartelization or syndication of the Czechoslovakian cotton textile industry is now definitely planned by the authorities under active, though partly conditional, support by organizations of the cotton industry. The syndicate is to regulate conditions on the domestic market, but also to further exports of textile goods. The authorities apparently also contemplate that raw material imports should be distributed through allotments by the syndicate, and that raw cotton should be subject to the import license procedure. A proposal for compulsory syndication has been worked out in detail by the Central Textile Association and has been submitted to the Government.

A recent press report indicates that it is planned to carry out experiments with cotton growing in Carpathian Russia (Slovakia). The Chamber of Agriculture, under whose auspices the experiment is to be carried out, is reported to have obtained the required seed from one of the Russian experiment stations. Skepticism has been expressed about the possibilities of success, and seem fully warranted.

5/ See World Cotton Prospects, March 9, 1936, page 9.

Austria.- Very favorable conditions persisted in the Austrian cotton textile industry during January and February. At the beginning of the new year occupation of the existing mills was the highest in post-war history. Cotton spinners were working at 35 percent above single shift capacity, weavers at about 100 percent of single shift capacity. That cloth mills are gradually moving toward the long needed rationalization is apparent from the fact that of the 14,500 looms in place at the beginning of January, 3,800 were being kept idle, while 4,400 were running double and 200 looms triple shift.

France.- Favorable yarn and cloth business in January and February was reported from France, notably Rouen and Mulhouse. The satisfactory trend of trading and mill activity continued, and it was evident that at the beginning of 1936 conditions were greatly improved as compared with a year ago. Production and deliveries by spinning and weaving mills were not only much higher than a year ago, but stocks of yarn and fabrics were considerably less than a year ago.

Denmark.- The improvement maintained in general economic conditions, and rising agricultural purchasing power has made for a favorable situation of the Danish cotton textile industry as well. Industries generally are in a basic process of expansion in Denmark. Cotton spinning mills were reported to have worked at full capacity up to the end of February, but an extensive lockout has reduced production in March. This situation, however, is not expected to continue for any length of time.

Yugoslavia.- As a result of the Czechoslovakian yarn export restriction, yarn prices in Yugoslavia have risen considerably despite active competition from Japan. Japanese offers of cotton yarn are partly accepted in the place of Czechoslovakian, but the quality is said to be unsatisfactory.

Soviet Russia.- Total production of cotton fabrics in the Soviet Union in 1935 is reported to have amounted to 2,876,000,000 yards, according to recent statements of high Soviet officials 6/. This is reported to be 97.7 percent of the yearly plan, implying a plan of 2,944,000,000 yards, as compared with the original plan of total fabrics production of 3,062,000,000 yards 7/.

6/ Chairman of the Gosplan, Izvestiia, January 12, 1936, and Commissar of the Light Industry of the USSR, Izvestiia, January 15, 1936.

7/ This, however, may not mean a revision of the plan, since statistics on textile production are complicated by the existence of various sets of figures. Thus, there is a set of figures comprising only the output of the enterprises of the Commissariat of the Light Industry, one covering the Commissariat of the Light Industry and the Commissariat of the Local Industries, another set comprising enterprises formerly encompassed by the Chief Administration of the Cotton Industry, and a set of all cotton fabrics, including fabrics such as foundation-muslin, technical fabrics, fabrics woven by hand, etc., as well as a set excluding such fabrics. These are only the most important sources of existing discrepancies. Therefore, particular care must be exercised in making comparisons and no attempt should be made to complete or compare the available data by or with other statistics unless certainty exists as to what the figures refer to.

The plan for 1936 provides for a total production of cotton fabrics of 3,516,000,000 yards, which would be an increase of 22 percent as compared with the reported output in 1935. The January production plan is indicated to have been executed by 101.7 percent, but information at hand gives no absolute figures. The output of the enterprises of the Commissariat of the Light Industry, comprising approximately 79 percent of the total output in the case of fabrics and 82 percent in the case of yarn according to the 1935 plan, was reported 8/ to have been as follows in recent months:

1935	Finished cotton fabrics 9/, 1,000 yards	Cotton yarn 9/, Bales of 400 pounds
Aug.	152,948	121,253
Sept.	223,094	110,230
Oct.	212,377	160,159
Nov.	203,300	151,236
Dec. (prel.)	222,438	Not available

Japan.- The outlook for the Japanese textile industry which was rather dull in January as compared with the very high level of activity at the same time last year, improved somewhat during February. Trade reports indicate a probability that this improvement is continuing through March. Yarn production in February amounted to 295,442 bales as compared with 281,500 in January but was between 3 and 4 percent less than production in February 1935, although with that exception it was the highest production for the month in history.

Exports of American cotton to Japan in February according to reports of the Bureau of the Census, were 55,391 bales as compared with 98,026 bales during the same month last year. However, exports during the 7 months, August - February, were only slightly under those of last year, 1,114,938 bales as compared with 1,157,508 bales.

Trade reports indicate that which, in view of the large Indian crop, has been expected, namely the continuing decline in prices of Indian cotton relative to American is causing Japanese spinners to switch from American to Indian. American was cheap relative to Indian last autumn, but since the first of the year it has tended to become dear. It is reported that on certain qualities the price spread between American and Indian in the

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8/ Obtained through the aid of the American Embassy at Moscow.

9/ These figures are not comparable to the above figures on total annual production which, in addition to the output of the Commissariat of the Light Industry, includes production of the Commissariat of the Local Industries as well. On the basis of information incorporated in a memorandum of the Embassy it appears that the monthly figures published in the general press refer to production of the Commissariat of the Light Industry only. This explains the discrepancy existing between the totals calculated from such monthly data and the totals given in the Soviet Statistical Yearbook as well as in most speeches of officials.

Osaka market has widened about 1 cent a pound in the last 4 months. Undoubtedly, in addition to large supplies of Indian cotton, the small supply of American in marketing channels and the scarcity of certain desirable qualities of American are factors which are encouraging the consumption of Indian at the expense of American.

Production, Acreage and Crop Conditions

Russia.- The latest reported figures on cotton procurements from the 1935 crop in the Soviet Union indicate that the procuring plan was exceeded by 13 percent as of February 1, 1936, when the campaign can be regarded as completed. On the basis of this report the procurements should amount to about 1,700,000 metric tons of seed cotton, equivalent to between 2,400,000 and 2,600,000 bales of lint, depending upon the ginning outturn. Reports, however, in the Soviet press which appeared originally at the end of December and indicated that a large quantity of cotton was spoiled, have continued. (See Foreign Crops and Markets, February 3, 1936, page 145). Thus, a report in Izvestiia for March 9, 1936, points out that a large quantity of cotton of high moisture content was procured in Uzbekistan, the principal Soviet cotton-growing area, and no steps were taken to dry it. It was stated that 50,000 tons of cotton were spoiled at the procuring points and ginneries. The storing conditions are described as very bad, with consequent heavy losses of cotton. Furthermore, it appears that cotton was often reported as procured while it was still unpicked in the fields. The exact amount of such cotton not actually delivered is not known. But four districts out of 90 which reported 100 percent fulfillment of the procuring plan have actually fulfilled not more than 94 percent of the plan on the average.

Conditions described in this and other reports warrant a certain skepticism with regard to the reported large figures of Soviet cotton procurements which may later be revised downward when more complete information of actually delivered and unspoiled cotton are available. In view of these reports it seems reasonable to believe that the Russian crop will be somewhere in the neighborhood of 2,250,000 bales.

1936 planned production 10/.- The Soviet goal for 1936 is the achievement of a crop of more than 3,000,000 bales of ginned fiber, the exact quantity depending upon the ginning outturn from an acreage practically equal to that of 1935, which would necessitate a further increase of the yield by about 20 percent.

The 1936 cotton contraction plan, which was announced at the end of February, provides for a quantity of about 5,700,000 bales of unginned cotton to be contracted for with collectives and individual peasants, as compared with 6,480,000 bales, the original plan for 1935 and 6,200,000 bales, the later revised figure. Cotton delivered on the basis of "contraction" agreements with collectives and individual peasants constitutes the bulk of all cotton delivered to the Government, in fact almost 90 percent in 1935. Of the total quantity to be contracted for, 329,000 bales are to consist of cotton grown from Egyptian seed, as compared with 285,000 bales for 1935.

10/Most figures were reported in metric tons of unginned cotton. Such figures have been converted to a ginned basis, assuming 69 percent seed and 31 percent lint. In some cases a range of 31 to 33 is used to represent lint percentage, but 31 is believed to be the closest possible approximation.

High yield premiums.- The system of premiums for cotton delivered in excess of the plan inaugurated last year, which seemingly has been of favorable influence upon yields in 1935, is to be retained for the 1936 campaign, but in modified form for the high yield groups. It now provides for a premium of 300 percent to be paid in the irrigated regions in addition to the prevailing procuring price for cotton (American types) delivered in excess of approximately 415 pounds per acre (exact quantity depending upon outturn) in cases where the plan provides for more than 415 pounds per acre irrespective of the quantity actually contracted for. Last year premiums were paid only for the quantities delivered in excess of the planned yields. Similar premiums are fixed for collectives growing Egyptian cotton whose plan calls for more than 277 pounds per acre. A premium of 150 percent will be paid in the nonirrigated regions for cotton (American types) delivered in excess of 70 pounds per acre, if the plan is above 70 pounds per acre. This means that premiums will be paid for attaining the plan in these categories, in all instances, and that the highest yielding farms will not even need to achieve that plan to obtain premiums.

It has been stated in this connection that about 350,000,000 rubles of premiums have been paid out to the collectives for the 1935 crop and a larger sum is expected for 1936.

Cotton sowing campaign.- Preparations for the cotton planting campaign are going on actively and latest reports indicate that they are more advanced than at the same time a year ago, though an earlier report complained of the slowing-up of the pace of fallow ploughing and tractor repairs, as well as of poor execution of the fall and winter irrigation plans.

Increased mechanization and fertilization are characteristics of this year's plans, with 1,278,000 acres expected to be sown by tractors this year in the irrigated regions and supplies of mineral fertilizer to be more than doubled as compared with 1935, 2,347,000 acres of cotton compared with 1,359,000 in 1935 are to receive mineral fertilizer, in addition to a larger quantity of oil cake.

Egypt.- Ginnings of Egyptian cotton to the first of March totaled 1,594,000 bales of 478 pounds net weight, made up of 163,000 bales of Sakellaridis, 1,397,000 bales of other varieties, and 34,000 bales of Scarto as compared with 1,379,000, 166,000, 1,184,000 and 29,000 bales respectively, on the same date last season.

Brazil.- The first estimate of the cotton crop in Southern Brazil for the present 1935-36 season is for a production of approximately 904,000 bales. Cotton is planted in Southern Brazil from September to November. Harvesting which has been in progress since March will be completed about the last of July. The forecast of production for the present season is about 48 percent above the final estimate of 610,000 bales for the 1934-35 crop, but only 6 percent above the first estimate made at this time last year. Early forecasts of last year's production were substantially scaled down in the final estimate.

The crop in Northern Brazil planted from January to May and harvested from August to November, has been estimated to amount to 839,000 bales. This is the second official estimate and compares with a first estimate for this season of 1,086,000 bales, a second estimate for last year of 738,000 bales and a final estimate for last season of 722,000 bales.

On the basis of present estimates, the total Brazilian crop for 1935-36 will be approximately 1,743,000 bales. Of course, the crop in Southern Brazil may be substantially reduced in later estimates.

Statistics of Brazilian cotton production during recent years indicate not only the increased importance of Brazil as a producer of cotton but also the significant shift in the relative importance of the two principal producing regions. The present estimate of 1,743,000 bales for the 1935-36 crop compares with 1,332,000 bales in 1934-35 and 1,011,000 in 1933-34. About 54 percent of the 1934-35 crop was produced in Northern Brazil and 46 percent in the Southern States. The average crop for the 5 years ended with 1932-33, was 505,000 bales of which 79 percent was produced in the Northern States and 21 percent in the Southern States. Since most of the cotton produced in Northern Brazil is relatively long in staple and not so directly competitive with the bulk of the American crop, while, practically all cotton raised in Southern Brazil is from American Upland seed, the recent increases in Brazilian production mean not only a proportionate increase in the total world supply of all cotton, but a more than proportionate increase in the supply of foreign cotton which is directly competitive with American.

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WORLD COTTON PROSPECTS

(May and June issues)

Summary

Domestic cotton prices were relatively stable during April and May, the average for the ten designated markets being 11.57 cents in the former months and 11.56 in the latter.

Cotton mill activity throughout the principal cotton consuming centers of the world continued to run at a high level during April. World consumption of all kinds of cotton is continuing to run at a record breaking rate which may amount to nearly 27,000,000 bales for the season. This high level of consumption indicates that the world carry-over of all cotton and of American on August 1, 1936 will be reduced significantly as compared with the carry-over at the beginning of the present season, but will still be considerably larger than average carry-over during the 10 years ended July 1933.

Although domestic mill activity tended to decline during April, mills consumed more cotton than in any previous April since 1929. Consumption of all growths of 577,000 bales compares with 469,000 in the same month last season, an increase of 23 percent. During the first 3 weeks of May, while mill positions with respect to stocks and orders are rather unsatisfactory, mill activity continued to run above a year ago. European mill activity in April and early May continued well above a year ago, somewhat less favorable developments in the United Kingdom, Italy, and Austria, being offset by further improvement in France and Belgium. Consumption of American cotton in Europe continued well above last year, although its consumption is being

discouraged by the persistent tendency for the price of American cotton to strengthen relative to foreign during recent months. The general European textile situation during recent months has been one of slow but fundamental recovery based almost entirely upon improved demand from the domestic market in each country.

The textile industry continues active in Japan but with both yarn production and exports of cotton cloth somewhat below the record high levels of a year ago.

Stocks of Government-controlled cotton in the United States have been reduced considerably by sales of loan cotton under the plan announced by the Commodity Credit Corporation on April 4. It is reported that the entire 1,000,000 bales disposable under the Plan will be gone by the end of May.

Exports of American cotton amounted to 353,000 bales in April, an increase of 9 percent over April of last year. Exports for the 9 months August through April, were 5,167,000 bales, or 33 percent above those for the same period last season. Exports from both India and Egypt so far this season have been running above the total for the same months last year.

Rainfall during the last few weeks has relieved, for the most part, the drought conditions which existed in the western part of the American Belt. At the present time, it appears that rain is badly needed in the eastern cotton States and in the Texas Panhandle, although in general prospects for the new crop seem to be fair. Reports indicate that the new crop area in both Egypt and Russia will be somewhat larger than in 1935-36.

Prices

The price of Middling spot cotton at the 10 markets was relatively steady in April and May. Prices showed a slight tendency to rise until about the end of the third week in April. At the end of the month, a moderate amount of weakness showed itself and was in part carried over into early May. The average price for the month of April at the 10 spot markets was 11.57 cents, the high being 11.70 on April 21 and the low 11.36 on April 29 and 30. The may high was 11.67 cents on May 30 and the low 11.35 on May 4. The average for the month was 11.56 cents. The average price of 11.57 cents in April and 11.56 in May compares with 11.38 in March of this year and 11.80 in April and 12.33 in May a year ago.

The dominant factors affecting prices during the last 6 weeks have been very much the same as those which have been operating throughout the last few months. Among price strengthening factors has been a continuation of the relatively high level of cotton mill activity and general industrial activity in this country and throughout the world which has resulted in increased domestic cotton consumption and in larger exports to and increased consumption of American cotton in foreign countries so far this year as compared with last. Other influences tending to support prices have been the large share of the cotton still under loan in the United States and the prospect of a smaller new crop than had previously been thought likely as a result of the severe drought in Texas and Oklahoma which was not broken until the first part of May. The principal factors tending to weaken prices have been some falling-off in textile activity in the United States during April and early May, a further increase in the price of American cotton relative to foreign, and possibly the somewhat better crop prospects in the United States as compared with a few weeks ago.

The ratio of three types of Indian to two types of American at Liverpool is now the lowest since last September. The ratios of 77.4 for April and 76.4 for the first 3 weeks of May compare with 84.4 in November, the high for the present season, and an average of 82.5 for the 6 months, October to March, and an average for the 10 years ended 1931-32 of about 80. Indian cotton relative to American was slightly cheaper during April of this year than during April 1935 and during the preceding 8 months of the present season, the ratio of the price of Indian to the price of American ranged from between 4 and 5 to nearly 20 points higher than in the corresponding months last year. The price of American has also tended to strengthen relative to Egyptian Uppers, the ratio of the latter to the former in April being the lowest for any month since October. The April ratio of 112.6 makes Uppers 5 points cheaper relative to American than in April 1935, although the ratio for the 8 months ending March of this season averaged 115.2 compared with 107.4 in the same 8-month period last year. The price of Brazilian has also tended to weaken relative to American during recent months.

Stocks and Movements

The Producers' Pool disposed of approximately 45,000 bales of spot cotton during April, bringing its spot stock down to about 204,000 bales at the end of the month. Part of the cotton financed by the Government under the 12-cent loan has been moving rapidly into trade channels under the operation of the plan announced by the Commodity Credit Corporation on April 4.

Although official information is not available as to the quantity of cotton actually released, the total requests for release received by the Commodity Credit Corporation had reached 1,000,000 bales by the end of May. This is the maximum quantity announced to be disposed of under the Plan. Reports indicate that probably about one-third of the loan cotton was actually released by May 1, thus leaving about 4,000,000 bales of loan cotton still on hand at the end of April. Counting the spot stock of the Producers' Pool, total Government controlled cotton probably amounted to about 4,200,000 bales at the end of April. The total stock of spot cotton on hand in the United States on May 1 was about 8,050,000 bales, or 14 percent less than the stock of 9,383,000 bales on the same date last year. As a result of the rapid disposal of loan cotton during April, Government financed cotton represented a slightly smaller percentage of total domestic cotton supplies than a month earlier, but still represented over half of the total.

Exports.- Exports were 353,000 bales in April, an increase of 9 percent over the same month last year. Exports for the first 9 months of the present season were 5,167,000 bales, an increase of 33 percent over the same period last year. The improved level of exports so far this year compared with last can probably be attributed to reduced stocks of American cotton abroad, a higher level of industrial activity and demand for cotton, and lower prices for American cotton relative to foreign as a result of the absence of a price supporting loan for the 1935-36 crop.

The large foreign crops, especially those of India and Egypt have been an important factor influencing the cheapening of foreign cotton relative to American in recent months. The following table shows the volume of American and Egyptian exports so far this season as compared with last year, the year before, and the 10-year average. Although complete data is not available on exports from India, the distribution of the Indian crop has been very rapid and in large volume as a result of both large exports and a very high level of cotton consumption in India. According to the New York Cotton Exchange Service, total distribution of Indian cotton through domestic consumption and exports from August 1 to March 31 this season was 3,332,000 bales of 478 pounds compared with 3,121,000 in the same period last season, and an average of 2,879,000 in the last 5 seasons. In spite of the fact that this season's crop is 728,000 bales larger than last, the total stock of cotton in India at the end of March was only slightly larger than that on the same date last year.

Exports of cotton from Brazil in the 7 months from August 1 to February 29 amounted to 332,000 bales compared with 485,000 in the same period last season, a decline of over 31 percent. A large increase over last year is expected in the crop of southern Brazil and this crop is only now being picked and marketed. However, the crop in northern Brazil is estimated to be about 100,000 bales greater than last year and this cotton has been picked and has moved into trade channels. It is to be expected that such an increase in production will result in increased exports. In the absence of some unusual circumstance, such as an abnormally large stock of cotton in Brazil or a very pronounced increase in domestic consumption the drop in exports for the early part of this season as compared with last year furnishes a basis for the belief that the present estimates of this season's crop may be somewhat too high.

Cotton: Exports from United States and Egypt, to specified countries, for specified periods

Country of origin and destination	Aug. 1 to Apr. 30				
	10-year average 1923-24 to 1932-33	1933-34	1934-35	1935-36	1935-36 as a percentage of 1934-35
	1,000 running bales	1,000 running bales	1,000 running bales	1,000 running bales	Percent
From United States:					
United Kingdom	1,557	1,125	608	1,166	191.8
France	743	684	320	612	191.3
Italy	565	571	397	321	80.9
Germany	1,585	1,194	275	673	244.7
Japan	1,101	1,563	1,284	1,319	102.7
China	236	219	104	33	31.7
Other countries	1,033	1,129	908	1,043	114.9
Total	6,820	6,485	3,896	5,167	132.6
	1,000 bales 478 lbs. net	1,000 bales 478 lbs. net	1,000 bales 478 lbs. net	1,000 bales 478 lbs. net	Percent
From Egypt:					
United Kingdom	469	604	373	474	127.1
British India	20	40	95	50	52.6
United States	142	90	48	45	93.8
France	154	179	153	182	119.0
Germany	86	182	104	125	120.2
Italy	78	119	126	76	60.3
Japan	55	96	149	89	59.7
Other countries	188	246	315	338	107.3
Total	1,192	1,556	1,363	1,379	101.2

Compiled from official sources, current data for exports from Egypt from cables.

The Textile Situation

World Consumption

World consumption of all growths of cotton has continued to run at a record high rate. Taking the figures of the New York Cotton Exchange Service, world consumption during the present season up to the end of March totaled approximately 18,074,000 bales, an increase of between 5 and 6 percent over the 17,167,000 bales consumed in the same period last year. Consumption of foreign cotton has shown a slight increase as compared with last year, but most of the increase of 907,000 bales in total consumption has been accounted for by an increase in the consumption of American cotton over last year of about 760,000 bales or 10 percent. During this season to the end of March, American constituted about 46 percent of all the cotton consumed in the world, compared with 44 percent in the same period last season. However, during the 5 years ended 1929-30, American cotton averaged nearly 60 percent of total world mill consumption of all cotton.

A continuation of the present rate of world consumption indicates that world carry-over of American on July 31, 1936 will be about 7,300,000 bales, a decrease of over 1,700,000 bales as compared with the carry-over at the end of last season. This, however, is 1,250,000 bales greater than the average world carry-over of American during the 10 years 1923-1932. Comparing the present rate of consumption and the estimated production of foreign cotton during the present 1935-36 season, there seems to be a likelihood that the carry-over of foreign cotton will be increased somewhat. This being the case, world carry-over of all growths may be about 12,500,000 a reduction of about 1,124,000 bales. If total world carry-over is reduced to approximately 12,500,000 bales, it will represent a reduction of 8 percent from the carry-over at the end of last season, but it will still be 23 percent above the average carry-over of 10,155,000 bales during the 10-year period 1922-23 to 1931-32.

United States.- Domestic mill activity, while above a year ago, tended slightly downward during April as a result of a falling of sales below production and a decline for the industry as a whole in the mill position on stocks and orders, according to trade reports. In the third week of April, the mill position was improved by increased sales and bookings, but the increase in sales and orders was largely induced by price concessions at the expense of manufacturing margins and was limited to certain sections of the trade. It is reported that during the first 3 weeks of May sales and orders again declined. Both wholesale and retail trade are generally thought to be holding up well, but the discounts on new crop deliveries of cotton are believed by the trade to be responsible for the unwillingness of buyers to make forward commitments. Cotton consumption amounted to 577,000 bales in April as compared with 549,000 last month and 468,000 bales in April a year ago. The very high level of cotton consumption in April as compared with last year indicates that, in spite of somewhat unfavorable developments during the month, the textile industry is sharing to a very high degree in the improvement in general industrial activity. Consumption in the 9 months ended April of 4,649,500 bales compares with 4,115,800 bales in the same period last season.

Europe 1/

The first 4 months of 1936 constituted a period of relatively favorable development in the European cotton textile situation, despite varying conditions from country to country. Mill activity in the cotton spinning as well as weaving sections in the United Kingdom, France, Germany, Belgium, Czechoslovakia, Austria, Poland and some other minor countries, continued on generally rather favorable levels in the first quarter of 1936, although in the latter part of April weaving mills in the United Kingdom showed a less favorable trend and there was a slight recession in Austria and a considerable one in Italy. French and Belgian spinning and weaving mill occupation showed a further rise under the influence of favorable business in April, and Germany reported about unchanged mill operations, although largely on the basis of low quality raw material supplies.

Mill sales of cotton yarn and cotton cloth in Europe as a whole remained fairly satisfactory during April, notwithstanding unsatisfactory export sales in the United Kingdom where the home market, however, continued to exhibit an encouraging undertone. Favorable conditions and even considerable improvement persisted in France as well as Belgium, and some betterment was also registered in Czechoslovakia and Poland. German consumer and merchant buying of cotton goods held about level with the previous months, although the tendency toward slight recession was still apparent. Sales booked in Austria were still of good volume in late April but, as a result of the drop in new orders from Rumania, the most important foreign customer in the latter part of April, unfilled orders for cotton yarn were materially, though possibly only temporarily reduced.

The European cotton textile industry, in a word, seems to be undergoing a slow but fundamental recovery. This improvement rests largely on expansion in domestic trade and consumer demand in nearly all instances, since revival of exports nowhere but in Austria appears an important factor in the more favorable tendency which seems evident. This is particularly true in the case of England, where export business is none too good. In France, the abandonment of a deflationary couse in favor of more liberal budgetary and credit policies has clearly had a favorable effect upon the textile situation. In Germany, cotton textile consumption continues fair despite a slight downward trend, and exports have been aided by a subsidy system. Generally improved economic conditions in Belgium have been at the bottom of the textile recovery there, and a certain betterment evident in Czechoslovakia in April is entirely attributable to internal factors, since the cotton export business has gone from bad to worse. The boom conditions in the Austrian cotton industry in the past year, while greatly influenced by increased yarn exports, have also rested substantially on better economic conditions at home. Throughout Scandinavia, also, domestic demand has been such as to make for generally very satisfactory textile consumption. There is no assurance, of course, that this rather encouraging tendency will not be disturbed by unforeseen developments incident to the current highly uncertain political situation in Europe. But barring such a reverse, the slow progress of economic readjustment and revival now evident should be of benefit to the cotton textile industry.

1/ Based largely on a report from Lloyd V. Steere, United States Agricultural Attache' at Berlin under date of May 16.

Raw cotton buying. - European raw cotton purchases were fairly active during the month of April under the influence of the rising American market as well as of some apprehension regarding the currency position in the gold bloc countries and in Poland. Cotton traders in the United Kingdom attributed the April rise in the price of American cotton to the control over supplies of desirable qualities held by the United States Government. In late April and early May there was some evidence of hedging pressure arising from sales of loan cotton, but it is considered that the terms of sale of loan cotton for this year restrict sales to high qualities of which the supply is not large. There has been a scarcity of high-grade American cotton on the Liverpool spot market, but no particular scarcity of low grades. Operations in Liverpool futures have been in small volume, with some speculative buying of distant deliveries on the strength of adverse crop reports.

Raw cotton imports.- Practically all European countries show considerably larger raw cotton imports this season as compared with last. The imports of cotton and cotton waste into 20 countries (Italy excluded) from August 1, 1935, to March 31, 1936 are estimated at about 6,457,000 bales of 478 pounds compared with only 4,843,000 in the same period of 1934-35, but 7,240,000 in the same months in 1933-34. An exception to this trend is probable in the case of Italy, for which no statistics are available. The larger importation of raw cotton has extended to American cotton, both absolutely and relatively, and American cotton has regained, so far this season, some of the losses sustained in previous years. Deliveries of American cotton to European spinners from August 1, 1935, to May 1, 1936 amounted to 3,271,000 bales of 478 pounds net, as compared with 2,611,000 in the corresponding period last year, and 4,531,000 in the same months of 1933-34.

Raw cotton stocks.- European raw cotton stocks have remained very moderate in the first 4 months of 1936. Trade stocks in the United Kingdom about the first of May were slightly below the low level of 1935, and continental port stocks were also slightly below last year when they were of moderate volume. Trade stocks of American cotton in Great Britain were somewhat above last year, though still moderate; stocks of Brazilian, Peruvian Egyptian and other exotic growths were below last year. In Germany, port stocks of Brazilian and other exotic cottons, as well as of American, were reduced. Le Havre and Genoa, on the other hand, have larger port supplies.

European visible stocks of raw cotton about May 1, 1934-36

(Thousand running bales)

	1934	1935	1936
American	1,640	842	1,006
Indian	276	227	313
Egyptian	223	148	125
South American	196	278	177
Other	208	232	197
Total.....	2,543	1,727	1,818

United Kingdom [2/] :- The British cotton industry continued to enjoy good business on the domestic market during March and April, but export demand was persistenly weak, and piece goods exports in 1936 are well down from the first quarter of 1935. Sales for Egypt have been difficult to arrange and only irregular business has occurred for Central and South America. Scattered transactions for Karachi and Madras were reported toward the end of April.

Employment in the British cotton industry in mid-March 1936 was higher than in mid-February, if measured by the number of workers employed, but on basis of wages paid, which also reflects the number of hours worked, there was an appreciable decline, especially in the weaving section. Employment in this branch of the trade in March this year was lower than in the corresponding month of any of the past 3 years.

The more hopeful tone on the domestic market has been supported by continued favorable employment in all British industires, employment in March being 1.5 percent higher than in February and 4 percent higher than in March 1935. Retail trade in March 1936, as measured by the value of sales, was likewise higher than in March last year. Stocks held in the retail trade were slightly lower at the end of March as compared with a year ago.

Exports of cotton piece goods during the first quarter of 1936 were lower than in the corresponding period for several years back. The decline has been especially noticeable in grey goods, but extends to virtually every class when compared with 1935. Yarn exports, on the other hand, have shown a good increase over most recent years, though the volume is only about one-third that of piece goods.

Raw cotton imports since the first of the season are running ahead of imports during the previous 3 seasons, but the excess over 2 years ago is only slight. There has been a notable increase in importations from Egypt and India, from the latter country particularly in short staples. Imports of American cotton are also much higher than a year ago and approximately level with imports of the 2 preceding seasons. Up to April 24 imports of American cotton since the first of the season amounted to about 52 percent of total cotton imports, compared with only 35 percent in the same period last year, 52 percent 2 years ago, and 62 percent 3 years ago. Deliveries of raw cotton to the trade so far this season were also higher than in the corresponding period in any of the 3 preceding years. Deliveries of American cotton, however, while above last year's low figure, were lagging behind the level of 2 and 3 years ago. To the end of April they were slightly less than 50 percent of total cotton deliveries this season, compared with only 38 percent last year, but 57 percent and 60 percent 2 and 3 years ago. As a result of the relatively larger importation than delivery of American cotton, British stocks of American cotton about the end of April were higher than last year, whereas total stocks were somewhat lower. Nevertheless, the absolute level of stocks of American cotton, as also that of total cotton stocks in Great Britain were considered very moderate.

2/ Largely taken from Special Report No.27, prepared by C. C. Taylor, Agricultural Attache', London, under date of May 1, 1936 mailed May 2, 1936.

Legislative measures.- The Cotton Spinning Industry Bill is but the forerunner of other steps to be taken to rehabilitate the Lancashire Cotton Industry. It is expected that similar bills relating to the manufacturing and finishing sections will be drafted along parallel lines to help bring their productive capacity into line with diminished output. The Federation of Master Cotton Spinners' Associations has set up a special Reorganization Committee to investigate thoroughly the existing organization in the industry in all its phases with a view to recommending the adoption of proposals to improve and expand the Lancashire cotton trade. Special sub-committees are to investigate and report on the causes responsible for the present difficulties and to recommend policies for their amelioration. Financial integration along vertical lines has been suggested as a means of minimizing excessive price competition.

Germany.- There was little change in the situation of the German Cotton Industry during the first quarter of 1936. Obtaining adequate supplies of raw material remained the basic problem of the industry, but no real shortage developed, and it does not appear that, except possibly for reasons of qualitative deterioration, the volume of mill operations has yet been significantly curtailed by the inadequacy of raw cotton supplies during the last several months. August - March 1935-36 net imports of cotton spinning material were considerably above August - March 1934-35 figures, though somewhat below 1933-34. It appears, however, that there has been a considerable shift in the importation of cotton spinning material away from raw cotton toward increased use of cotton-waste and other cotton materials but more in the way of restriction of exports of cotton waste and other materials rather than an increase in imports.

The trend of supplies of all cotton spinning material in the current season was an upward one through January, but there was a marked interruption of this trend in February and March because of a large drop in imports of raw cotton. February and March imports of cotton were restricted chiefly through a sharp decline in importations from Brazil and also from the United States and Egypt. It appears that the drastic measures taken by the Brazilian Government last spring to prevent the exportation of raw cotton except against foreign currency payment are now beginning to be reflected in German import statistics, although total imports so far this year are well above those for the same months last year. On the other hand, importations from the United States so far this season have greatly exceeded imports during the same period last year, although continuing to fall much short of importations in 1933-34. On a percentage basis, the share of the United States in total German raw cotton imports in the first 8 months of this season was smaller than last season in August - March because of a considerable increase in total imports, but a relatively smaller increase in imports from the United States; for August - March 1935-36 it amounted to 34 percent as compared with 38 percent in the same period 1934-35, 74 percent in 1933-34, and 78 percent in 1932-33. On the other hand, the share of Egyptian cotton in imports from August to March increased from 9 percent in 1932-33 to 12 percent in 1935-36, and that of Brazil from almost nil in 1932-33 to 15 percent in 1934-35 and 20 percent in 1935-36. A significant increase is also evident in the share of Peruvian, Argentine, Turkish and other exotic cottons in total German imports.

The raw material position of the German cotton textile industry so far has been well protected by the increased utilization of cotton waste, artificial fibers and other cotton materials, and by increased consumption of exotic cottons available to German buyers on a clearing or compensation basis. There has resulted, however, a considerable deterioration in the qualities of goods produced and it appears that prospects for the future in regard to total raw cotton supplies are clouded not only by the reluctance of certain countries to sell on a clearing basis, but also by the increased import requirements in foodstuffs and feedstuffs which burden the German balance of payments and necessitate curtailment of less pressing imports.

The German textile industry is still aiming at the attainment of sufficient exports of finished goods to finance the raw material requirements of the industry. Some progress was made during 1935, and early 1936, notably since the introduction of the export bounty system in June 1935, and exports of cotton fabrics in January-February 1936 rose to about twice what they were during the first 2 months of 1935. Exports of yarn, partly in connection with the disappearance of Italian exports to the Balkan countries, and partly because of Czechoslovakia's restriction of exports, also increased to about 80 to 100 percent above January and February 1935, while at the same time yarn imports were materially reduced.

Figures on German cotton textile mill activity are available only in summarized form and must be used with considerable caution because the weights of the different branches of the cotton industry in the index numbers of total cotton textile production have been repeatedly changed. The combined index numbers of cotton textile production at present shows a production running somewhat higher than in the first several months of last year. According to the Institut fur Konjunkturforschung, it is expected that the 1936 production of rayon staple fiber will amount to about 88,000,000 pounds, as compared with an actual output of 15,000 tons or 33,000,000 pounds in 1935.

Commenting on the changes that have been necessitated in the cotton textile industry as a result of the shifts in the origin of supplies, the Institut fur Konjunkturforschung makes the statement that these shifts have confronted the cotton industry with a difficult task. The quality of cotton from the new supplying countries is mostly considerably below the accustomed standard, and, moreover, a larger share of cotton waste, cotton linters, and other materials, have been worked up by the industry. The Institut stresses the fact that the raw materials obtained on a clearing or compensation basis were considerably more expensive than those imported against payment in devisen. In 1935, the import price of 1 kilogram of raw cotton from the United States (devisen cotton) was Rm. 0.80,(equivalent to about 14.6 cents per pound at current exchange rates) while the import price of raw cotton from Brazil and Greece purchased on a clearing basis - despite lower quality - amounted to Rm. 1.12 and 1.24, (about 20.05 and 22.4 cents per pound) respectively. These developments have placed a considerable burden on the cotton industry, even though the increased costs have been largely recovered through higher prices charged buyers of cotton yarn and fabrics.

"Wirtschaftsdienst" of May 1, 1936, states that the decline in the supply of spinning materials in 1935 as compared with 1934 was 10 percent, not considering the increased supply of spinnable waste and regenerated materials. Raw cotton, as the most important spinning fiber, has again been at the disposition of the German industry in sufficient quantities recently; its qualitative composition has also been somewhat normalized, a fact which is shown in the reduction of yarn imports. Yarn imports were previously used in considerable quantity as an emergency material to replace deficit supplies of raw cotton. Raw spinning material imports on the basis of reciprocity have gained in importance and, as a result of the enforcement of the principle of importing goods only in exchange for goods, the well-known shifts away from raw cotton from the United States toward exotic cottons, obtainable almost exclusively on a clearing or compensation basis, have taken place. Thereby the most important aim has been accomplished, i.e., to cover raw cotton requirements by sales of German goods in the country of origin. The majority of the clearing and compensation countries, however, has so far supplied only deficient qualities, and it will be necessary to improve this situation, possibly through better standardization of the fiber.

It is further pointed out that in the current year the supply of staple fiber and rayon yarn is about 20 percent of the supply of raw cotton. It is important that the present price of staple fiber has been reduced to about 150 percent of the present raw cotton price; waste in spinning staple fiber yarn is insignificant so that this cut rayon yarn is only a little higher in price than cotton yarn, and 45 percent cheaper than rayon yarn.

Czechoslovakia.-Conditions in the Czechoslovakian cotton textile industry continued unsatisfactory during the first 4 months of 1936, but there seemed to be a slight tendency towards improvement in March and April. Some reports indicate that this improvement appears to be only temporary in character and that new difficulties in export business have been encountered despite great efforts on the part of the industry. These trade obstacles are to be found not only in the protective policies of importing countries which are usually markets for Czechoslovakian cotton textile goods, but also in the strongly competitive price situation, which was eased only temporarily by Czechoslovakia's small devaluation of the crown in February 1934. Since then Czechoslovakia's competitive strength in foreign markets has again diminished, and it is indicated that, in addition to Japanese competition, Polish and German efforts, supported by export subsidies, have made it extremely difficult for Czechoslovakia to compete in her traditional markets. Another factor in reducing Czechoslovakian cotton textile export business has been her own currency-protective measures. As a result, Yugoslavian demand for cotton yarns is reported to have shifted toward Germany, and other southeastern European countries are also availing themselves of offers from countries other than Czechoslovakia.

Raw cotton imports into Czechoslovakia from the first of the season to the end of February 1935-36, showed a considerable increase over 1 and 2 years ago; but this increase was not entirely the result of expansion in cotton mill business - it was at least in part the result of the accumulation of cotton fabrics, cotton yarn and raw cotton stocks in the country. Nevertheless, the figures show a fair improvement of conditions this season over

last, however unsatisfactory they still may be. Importation of cotton from the United States also increased considerably, amounting to 73,800 bales of 478 pounds net, as compared with only 44,000 bales in August-February 1934-35, and 62,000 bales in August-February 1933-34. It should be noted, however, that these figures include only such cotton as was imported directly from the United States, whereas much American cotton in addition to the quantities so declared is regularly received via Bremen and Hamburg and is not shown as American cotton in the trade statistics.

Austria.- Conditions in the Austrian cotton textile industry during the first 4 months of the new year remained very favorable, as far as mill activity and deliveries on old orders are concerned. New orders booked for cotton yarn as well as cotton goods likewise remained very high through February, but in March and April declined considerably as a result of a drastic drop in export business. It is indicated that reduction in demand from Rumania, partly as a result of German, Polish, and Japanese competition in that market, was responsible for the decline, and competent observers regard prospects in the Austrian cotton industry for the remainder of the current season as less favorable than they were up to the end of 1935.

The development of the Austrian cotton textile situation during the current season has been a remarkable continuation of the very favorable conditions already prevailing last season. Cotton spinning mill activity in December-January 1935-36 rose to approximately 35 percent above single shift capacity compared with about 10 percent above in December-January 1934-35. There was a decline in mill activity in February, March, and April, but it is believed that occupation still compared very favorably with previous years. In appraising the level of production achieved it should be borne in mind that in December-January 1932-33 activity was down to about 70 percent of single shift capacity and that at no time in post-war history has it reached the level recorded for the current season.

Supporting these figures on mill activity, unfilled orders held by cotton spinning mills around the turn of the year showed a very large volume on hand, in fact the largest figure ever recorded, and 90 percent more than the average for 1923-31. Unfilled orders, as a result of the adverse developments mentioned above, have subsequently declined, but were still on a very satisfactory level at the end of April. Similarly, cotton weaving mill occupation, as indicated by the Austrian index of raw material requirements of cotton weaving mills, has been running high and much above last year, reaching in February 1936, 175 percent of the average for 1923-31, compared with only 153 percent a year earlier, 140 percent 2 years earlier, and 77 percent 3 years earlier.

Raw cotton imports into Austria, parallel with the favorable developments in mill business and occupation, have shown a large increase over last season, both as regards total imports from the United States. Total Austrian raw cotton imports, August-February 1935-36, amounted to 115,000 bales of 478 pounds net, compared with only 83,000 1 and 2 years ago. Imports of American cotton amounted to more than 69,000 bales in August-February 1935-36, as against only about 46,000 in the same period of 1934-35, and 57,650 in August-February 1933-34. It appears, therefore, that imports of American cotton so far in 1935-36 have reached 60 percent of total Austrian imports of raw cotton against only about 55 percent in the same period last year and 68 percent in the same period of 1933-34.

France.-Conditions in the cotton textile industry in Normandy as well as in northern and eastern regions of France have continued to improve throughout April. Remarkable steadiness has characterized the rise in the index numbers of cotton mill activity ever since the low point in the fall months of 1934. Cotton weaving activity has gradually risen to about a level with the first several months of 1934, which means a fairly good rate of occupation and about the same as that of 1927 and 1928. As a result of the considerable influx of new business in recent months, unfilled orders on hand in cotton weaving mills in April were fully 80 percent above the same time last year and on about the same level, on an average, as in 1927 and 1928. Stocks of cotton fabrics in weaving mills gradually declined throughout 1935 and the beginning of 1936 and were back to normal about the end of April. Similarly, conditions in the spinning branch have greatly improved, and mill activity in April was from 20 to 30 percent above last year. Unfilled orders on hand in spinning mills were sufficient to last the mills at the current rate of occupation for from 3 to 4 months, and these orders were expected to continue their rising tendency since developments in the weaving branch have already prepared the way for further expansion in spinning.

In keeping with these favorable mill conditions, raw cotton imports for the first half of this season greatly exceeded importation during the first half of last season. August-January 1935-36 imports of raw cotton into France amounted to about 655,000 bales as compared with an importation of 489,000 last year and about 862,000 2 years ago when stocks were accumulating. Importation from the United States has also advanced and has amounted, therefore, to 63 percent of total cotton imports as compared with only 51 percent in the same period last year. France is thus showing the same tendency to increase the percentage of American cotton consumed as is observed in other countries.

Sales by cotton spinning as well as weaving mills in the important French districts remained active up to the end of April, largely under the influence of firm raw cotton prices and increased demand from the wholesale trade, the latter seeming only partly to result from fears regarding currency developments. Demand from the colonies, however, also improved greatly, and as a result of all these developments prices for cotton yarns as well as cotton fabrics showed repeated increases. The end of April and the beginning of May were characterized by somewhat quieter business because of the elections and other political activity.

Italy.- In the absence of any information on the cotton situation from Italian sources, it appears from the statistics of the most important exporting countries that Italy's supplies of raw cotton (and presumably therefore the activity of the cotton textile industry) must have been considerably reduced in the first half of the current season. This seems true even when allowance is made for the probability that trans-shipments are almost certain to have been made from countries that were not original exporters.

The Official Gazette of April 28 published and set in force a law which had already been issued on March 9, 1936, aiming at the promotion of cotton and hemp growing in Italy and her colonies. The law obliges all firms manufacturing raw cotton into yarn, etc., to take, in 1936, a

specified percentage of cotton or cottonized hemp grown in Italy or her colonies. The percentage has been fixed at 5 percent for 1936, but may be changed at any time by the competent Ministry, after consultation with the Istituto Cotoniero. How and in what proportions the admixture is to take place has not been specified so that the firms, who are only compelled to take the specified percentage of domestic cotton and cottonized hemp, are at liberty to decide that question for themselves.

Poland.-Revival in the Polish cotton textile industry this season is rather clearly indicated in the considerably increased importations of raw cotton from all sources including the United States. Total cotton imports from August-February this season amounted to 194,000 bales of 478 pounds as compared with only 171,000 last year and 184,000 in August-February 1933-34. The share of the United States cotton in total Polish raw cotton imports during August-February 1935-36 was 70 percent, compared with about the same percentage last season. Not all of these imports, however, went into mill consumption; they, in part, accumulated with the trade. Stocks in spinning mills, on the other hand, declined in the first 7 months of the season and in March were reported as being rather low. Some observers attributed the accumulation of raw stocks by the trade to the uncertainty regarding the future of the currency, an anxiety which seems to have been justified by Poland's adoption of exchange controls. Mill consumption of raw cotton in Poland during the first half of the current season was about the same as a year earlier.

Yugoslavia.-Reports from Yugoslavia indicate that the cotton textile business in that country continued active in the first quarter of 1936. The mills were well occupied, and there seems to have been even slightly better occupation in the first 8 months of this season than last. Yugoslavia, however, consumed somewhat less American cotton, but more Indian,Egyptian and Sundry cottons during the first half of the current season, as compared with the same period a year ago. The cloth industry, has been handicapped by lack of supplies of cotton yarn from Italy, but it appears to have been possible within a short time to obtain adequate deliveries from other countries, notably Austria and from Germany also. Czechoslovakia has lost considerable yarn business to Yugoslavia as a result of her export contingents on cotton yarn to southeastern Europe.

Russia.-Production of the cotton textile industry during the first 2 months of 1936 was on a higher level,both as compared with the months immediately preceding and with the corresponding period in 1935. Production of cotton fabrics by the enterprises of the People's Commissariat of the Light Industries amounted to 229,656,000 meters in January and 226,400,000 meters in February 1936. The corresponding figures for cotton yarn are 66,100,000 pounds for January and 63,270,000 pounds for February, which is also above the last months of 1935 as well as January and February 1935.

Production of cotton fabrics (by enterprises of the Commissariat of the Light Industries) amounted to 2,264,800,000 yards during the whole of 1935, and that of yarn to 663,340,000 pounds. Total production of all enterprises of the Union in 1935 amounted to 2,876,000,000 yards. The production plan for 1936 provides for a total output of cotton fabrics of 3,515,900,000 meters, which would be an increase of 22 percent as compared with the reported total output in 1935. (The plan for the output of the enterprises of the Commissariat of the Light Industries alone is not at hand).

Foreign trade.- A pick-up of Russian cotton imports took place in 1935 from the low levels of the preceding 3 years, although imports remained much below the level prevailing prior to the expansion of the domestic cotton industry. According to preliminary information, total imports of cotton during the calendar year of 1935 amounted to 202,934 bales of 478 pounds as compared with 115,000 in 1934 and 106,000 in 1933. Average imports of cotton during the 5 years 1925-29 amounted to 594,965 bales, and during the 5 years 1930-34 to 170,650 bales. Exports of cotton were negligible in 1935, amounting to 27,673 bales, and consisted largely of linters.

The share of American cotton in total imports also increased in 1935, amounting to 58 percent of the total against 40 percent in 1934. Total imports from the United States amounted to 118,993 bales, compared with 46,583 in 1934.

Japan 3/.-Yarn production in April of 303,814 bales of 400 pounds each was about 10,000 bales greater than in March, but about 4,000 bales less than a year earlier. However, with the exception of the peak production of last April, output during April this year was the highest for the month on record. Cloth exports in March were 240,487,000 square yards and were the largest for any month since March of last year when exports of piece goods reached a peak of 274,463 bales, the largest volume of exports for any month on record. The increase this March compared to months immediately preceding, came in the main as a result of larger shipments to British India and the Netherlands East Indies.

Imports of raw cotton of 334,000 bales in March were below imports for each of the 3 previous months and were less than average March imports for the last 5 years. Imports of American cotton amounted to 114,000 bales, a considerable decline compared with the 4 preceding months, while imports of Indian of 184,000 bales showed more than the usual seasonal increase, and were the largest for any month since February 1935.

Mill takings of raw cotton increased considerably during March. It is reported that this was due to prospects of an active spring spinning season and efforts to replenish low mill stocks. Total takings of 416,000 bales consisted of 178,000 American, 199,000 Indian, 12,000 Egyptian, and 27,000 of Sundry growths. The importation and consumption of Indian cotton has been encouraged by its increasing cheapness relative to American during recent months. It is reported that Japan is showing an increasing interest in Brazilian cotton, and that a great many Japanese cotton firms are attempting to obtain agencies for Brazilian cotton.

China 4/.-Consumption of all growths of cotton continued during March and April to run somewhat below a year ago with continued heavy arrivals of Chinese cotton. Although the Chinese crop is smaller this

3/ Prepared largely from a cable from Agricultural Commissioner O. L. Dawson at Shanghai, under date of May 13, 1936.
4/ Based largely on a cable from Agricultural Commissioner Dawson at Shanghai, under date of May 14.

year than last, its movement to market has been much more rapid than in the same period last season. A preliminary estimate places arrivals at Shanghai between October and April of the present season at 930,000 bales compared with 683,000 during the same period last year, an increase of nearly 60 percent.

Stocks in the interior are reported to be very light but with about 430,000 bales of cotton in sight, including 2½ months mill stocks in Shanghai, there is sufficient cotton on hand or in sight to run the mills at this center until the close of the season with a small amount left for stocks. The situation at other points which have been consuming Chinese cotton is somewhat less secure, and a shortage will probably develop before the close of the season.

It is believed that the purchase of American cotton for the remainder of the season will be only for bare necessities. Some purchases of Indian likely will be made as prices compared with native staple are favorable.

Deliveries of all cotton to Shanghai mills of 203,000 bales in April were 43,000 bales greater than in March. Between October and April 30 of the present season total deliveries of all cotton to Shanghai mills were 890,000 bales compared to 563,000 during the same 7 months last year. Deliveries of Chinese cotton amounted to 795,000 or practically twice those of last season. Deliveries of American were 44,000, a decline of nearly 50 percent compared with last season. Deliveries of Indian amounted to 33,000 bales and Egyptian to 15,000, a decline of 30 percent and 20 percent respectively, from last year.

Production, Acreage and Crop Conditions

United States.-Rains beginning the end of last month broke the drought in most areas in Texas and Oklahoma. In fact, during the week ended May 18 rainfall in some sections was excessive. However, it is reported by the trade that certain parts of Texas need more moisture as a reserve against summer needs. Oklahoma is reported to have benefited greatly from the general rains of late April and early May. In the eastern part of the Belt, the crop is progressing well, but the prolonged period of dry weather which followed heavy rains early in April has caused the topsoil to become crusted. This condition has been some handicap to planting and germination. Trade reports indicate that ideas as to acreage for this year lean toward an increase of 12 to 15 percent over the 1935-36 season. In the absence of extremely favorable or unfavorable influences, the crop will be small to moderate in size. Fertilizer tag sales in eight cotton states from December to April, amounted to 2,888,630 tons this year compared to 2,717,600 last year, an increase of 6 percent. Since fertilizer tag sales have increased by a much smaller percentage than has estimated acreage, the indications seem to be that the amount of fertilizer applied per fertilized cotton acre may be somewhat less than last year.

India.-The last official estimate of the 1935-36 Indian cotton crop places it at 4,793,000 bales from 25,138,000 acres. This is an increase of 41,000 bales over the previous estimate of 4,752,000 bales. The indicated yield per acre for this season is 91 pounds compared with 81 pounds last year and an average of 83.5 pounds for the 10 years ended 1934-35.

Egypt 5/.-It is reported that a somewhat larger cotton acreage is in prospect for 1936-37. It is too early for an accurate or detailed estimate but it seems probable that the area planted will on the whole be somewhat larger than that of the 1935-36 season. Cotton farmers are believed to have improved their financial situation as a result of the profitableness of the crop just disposed of, the relatively high price of farm products other than cotton, assistance from the Credit Agricole, and through the tendency for farming costs to decline. Labor is abundant and cheap. Workstock are in better shape than in most seasons, and are sufficient for the needs of the cultivators. Although the old methods of farming and the old implements of tillage are still widely used, there is an increasing tendency for the larger and the better class of farmers to employ tractors and other mechanical equipment and to use chemical fertilizers as a supplement to natural fertilizers.

A plentiful supply of water for irrigation purposes, mild winter temperatures, and an unusually small rainfall permitted an early and comparatively uniform preparation of the land and sowing of the seed. On account of the care used by the Government in selecting seed and its severity in enforcing its use, the seed furnished farmers is generally considered to be of good quality.

In Upper and Middle Egypt cotton of the Uppers class (1-1/16 to 1-1/4 inches in staple length) especially the Ashmouni variety will occupy nearly all of the area. Lower Egypt is expected to show a considerable reduction in the area planted to Sakellaridis (1-3/8 to 1-5/8 inches in staple length) with Giza 7 (1-3/8 to 1-1/2 inches) replacing it to a considerable extent, but there is expected to be a further increase in the acreage of the shorter stapled cotton, especially Zagora.

During the post-war period the cultivation of cotton of moderately long staple has expanded in Upper Egypt and has formed a constantly larger proportion of total Egyptian production of all cotton. These shorter stapled varieties which are directly competitive with the longer staple American Upland cotton have also shown a tendency to occupy a larger proportion of the cotton area of lower Egypt.

Russia 6/ - The Cotton Planting Campaign.- The Russian cotton planting campaign is nearing completion at the beginning of May and is progressing somewhat faster than during the preceding year. Total sowings of cotton up to May 1 amounted to 3,956,000 acres, compared with 3,677,000 acres sown by the same time in 1935. This is 79.5 percent of this year's plan, which has been fixed at a level slightly above that of 1935; 76.6 percent of the plan had been planted at the same time a year ago. Warm sunny weather has prevailed in the irrigated regions with daily temperatures considerably above normal at times. The first shoots of cotton plants are reported to have come up in good condition. Ploughing operations are going on at a better pace than last year, with a larger acreage ploughed for the second and third times. Ploughing for the fourth time is also reported to be effected to a larger extent than in previous years.

5/ Based largely on a report from H. Earle Russell, American Consul General, at Alexandria, March 13, 1936.
6/ Prepared from a report by Lloyd V. Steere, Agricultural Attaché at Berlin.

The 1936 cotton sowing plan provides for an acreage of 4,979,000 acres compared with 4,821,000 acres sown in 1935. The production plan calls for a total domestic crop of 3,020,000 bales of 478 pounds of ginned cotton which would mean an increase of about 20 percent compared with the preliminary reports on 1935 production, but a still larger increase when the expected downward revision of the 1935 crop is made. Judging from past experience, it is unlikely that such progress could be achieved from 1 year to the next, although a moderate increase can be reckoned with in view of improving technique. A downward revision of the official estimates of 1935 crop is probable because of the apparent exaggeration in the previously reported procuring results, as has been previously indicated in these reports. It has now become known that local procuring organizations, in their desire to report a high procuring figure, have frequently reported cotton as procured which had not yet been picked and was never picked. Furthermore, cotton with a moisture content far surpassing the prescribed limits was accepted by the procuring organizations, which led to damage and loss of some of the cotton.

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UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Division of Statistical and Historical Research

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C-130

WORLD COTTON PROSPECTS

Summary

Domestic cotton prices were strong during June and rose sharply in the first 10 days of July. The average for the month of June was 11.96 cents, compared with 11.56 in May and 11.97 in June 1935. The highest daily price so far this season was 13.42 cents on July 10. Prices receded somewhat from this high point, and averaged 13.08 cents for the week ended July 18. The high level of world consumption of American cotton compared with last year, the small supply of cotton in private hands, the reduction in stocks of government financed cotton, and the belief of the trade that the coming crop probably will show only a moderate increase over the 1935-36 crop are factors which have tended to strengthen prices.

The price of American cotton continued to be high relative to foreign growths at Liverpool during May and June. The price of southern Brazilian cotton was especially weak relative to American.

The condition of the domestic cotton textile industry has improved during the last 2 months. Mill consumption in June amounted to 556,000 bales compared with 384,000 bales in June last year. European mill activity is generally on a fairly high level, but conditions vary considerably from country to country. A vigorous demand from the home market has resulted in maintaining the relatively active mill conditions and high level of cotton imports and consumption in the United Kingdom. On the other hand, labor troubles in France and Belgium, restrictions on imports of cotton in Germany and Italy, and the loss of export markets by Italy and the central European countries are hampering mill activity and cotton consumption on the Continent.

Yarn production and cloth exports are at high levels in Japan. Recently imports and mill takings of Indian and Sundry cottons, especially Brazilian, have tended to increase relative to American. In China apparently a strong effort is being made to consume Chinese cotton and draw on stocks in anticipation of the arrival of the new Chinese crop. Imports and arrivals at Shanghai of American cotton so far this season have generally declined more than other foreign cottons as compared with last year.

Exports of American cotton in June were 287,000 bales compared with 345,000 bales in June last year.

The Crop Reporting Board reports an area of cotton in cultivation in the United States on July 1, 1936 of 30,621,000 acres, an increase of 9.8 percent over the area in cultivation on July 1 last season.

The first official estimate of the 1935-36 crop in Argentina is for a crop of 354,000 bales, an increase of about 50,000 bales over 1934-35 production. Present indications are for a 1936-37 Chinese crop of about 3,250,000 bales, an increase of 25 percent over 1935-36.

Prices

The price of Middling spot cotton at the 10 markets was strong during June, and was very strong during the first 10 days of July. Prices advanced from an average of 11.73 and 11.76 cents for the weeks ended June 6 and 13, respectively, to an average of 13.01 cents for the week ended July 11. The highest daily price so far this season was 13.42 cents on July 10. The average for the month of June was 11.96 cents, compared with 11.56 in May and 11.97 in June 1935. The continued high level of world consumption of American cotton relative to last year, the comparatively small supply of cotton in private hands, the reduction in stocks of government-financed cotton, and the belief held by the trade that the coming crop probably will show only a moderate increase over the crop of this last season have been important price-strengthening factors. From the high on July 10 prices have receded somewhat but averaged 13.08 cents for the week ended July 18. This is the highest weekly average price since the week ended September 8, 1934.

The prices of foreign cottons relative to American continued to be low during May and June. The ratio of three types of Indian to two types of American at Liverpool was 76.1 in May and 76.7 in June. The price of Indian cotton is now lower relative to American Middling than at any time since last August and September when the ratios were 76.1 and 76.5, respectively. Egyptian Uppers strengthened a little relative to American during May and June as compared with April, but with the exception of that 1 month were cheaper than at any time since November. The price of Brazilian Sao Paulo fair was 97.8 percent of American Middling in June, the lowest ratio to American since May 1935.

Stocks and Movements

The Commodity Credit Corporation announced at the beginning of the present month that it would permit borrowing growers to repossess additional cotton in the loan stock up to July 20 on the basis of 25 points less than the average price of Middling 7/8 inch cotton at the 10 markets, except that no cotton on which growers borrowed 12 cents would be released for less than 12.25 cents. It has been the belief of the trade that only a small amount of cotton would be released under this plan. This belief has been held because, with prices in country markets bearing the relation that they do to the average of the 10 central spot markets, the repossession basis of 25 points less than the 10-market average automatically restricts sales to cotton that is of relatively high value because of quality, location, or both. Such cotton for the most part was sold out of the loan stock in the course of the initial sales of about 1,000,000 bales. Furthermore, with the spot basis relatively high in terms of new crop futures and the movement of the new crop only a few weeks away, merchants and spinners would not be expected to accumulate cotton much beyond their immediate needs. However, with the rapidly rising prices which characterized the first part of July, actual releases of loan cotton may be in a larger volume than was first anticipated by the trade.

On July 17, requests for release of 1,270,000 bales of loan stock cotton had been accepted by the Commodity Credit Corporation. When all of this cotton is actually released the total stock of government-financed cotton will amount to about 3,250,000 bales. At the end of the week ended June 20 the holdings of the Producers' Pool had been reduced to 124,300 bales of futures and 157,093 bales of spots. The statement was made at that time that, in view of its small holdings, the Pool is no longer a market factor and that regular periodical statements on the subject of Pool holdings would be discontinued. Further sales of Pool cotton and any additional loan stock cotton authorized for release under the provisions applying from July 1 to 20 will reduce the total stock of government-financed cotton still further. Total holdings amounted to 5,088,000 bales on August 1 last year.

The total apparent supply of American cotton in the United States on July 1 was 6,345,000 bales, a reduction of 1,579,000 bales from the apparent supply of 7,924,000 on July 1 last season.

Exports

Exports of American cotton were 287,000 bales in June compared with 345,000 bales in June last year. Exports during the first 11 months of the present season were 5,806,000 bales compared with 4,519,000 bales in the same

11 months last year. June was the first month of the present season in which exports have not exceeded those of the corresponding month of last season. The persistent tendency for the price of American cotton to rise relative to prices of foreign cotton probably has been an important factor in the recent decline in exports from the United States. Other influences which are unfavorable to exports at the present time and in the immediate future are the refusal by Italy to allow the importation of cotton except when it is to be used to complete government contracts or to manufacture textiles for exports, a barter agreement between Germany and Brazil for the supply of 200,000 bales of cotton to Germany, and an increased interest in Brazilian cotton shown by Japan.

Exports of cotton from India were 333,700 bales in May compared with 373,000 bales in the same month last year. However, exports in the 10 months ended May 31 were 2,684,000 bales compared with 2,246,400 in the same period last year, an increase of nearly 20 percent. Exports from Egypt were 124,464 bales in May and 99,932 in June. Shipments during the corresponding months last season were 112,601 and 94,033 bales respectively. Exports in the 11 months ended June 30 totaled 1,603,000 bales, only a slight increase over exports of 1,571,400 bales in the same period last season, and somewhat below the record exports of 1933-34, but were nearly 16 percent above average exports for these 11 months in the 10 years ended 1932-33.

Exports of cotton from Brazil amounted to 53,109 bales in April and 52,481 in May compared with 39,405 and 35,873 bales in the corresponding months of last year. However, exports of 471,719 bales in the 10 months ended May 31 were only 78 percent of exports in the same 10 months of 1934-35. Other things being equal, this decrease in exports compared with last year would indicate that the prevailing estimates of a large increase in the Brazilian crop over last year may be in error. However, it is to be remembered that exports of cotton from southern Brazil in June and July are apt to be very heavy. Furthermore, cotton stocks in the country may be considerably larger than at the same time last season.

The Textile Situation

United States.- The domestic cotton textile industry has shown general improvement during the last 2 months. Mill sales of goods have been above current output, and prices have advanced with increases in the price of raw cotton. Since July the booking of orders has been especially heavy on print cloths and carded broadcloths, but, according to trade reports, the last 2 months as a whole have seen an improvement in the sale of heavy industrial fabrics, the demand for which was very severely reduced by the depression and which calls for large quantities of cotton.

The New York Cotton Exchange Service index of cotton manufacturing in this country shows textile activity to be running above the 1922-27 average. Mill consumption in June amounted to 556,000 bales compared with 384,000 bales last year, according to the Bureau of the Census. Consumption in the first 11 months of this season amounted to 5,737,000 bales, an increase of 15 percent over the consumption of 4,970,000 bales in the same period last year.

Europe 1/.-The European cotton textile situation during the month of June was considerably influenced by rising raw material quotations, with raw cotton buying by the mills assuming fairly favorable volume in several countries. United Kingdom importations and mill consumption were of liberal volume, but favorable domestic demand for cotton goods continued to be offset by the difficult export situation. In Germany, a certain revival in both spinner and weaver sales was reported for the month of June, but there was no improvement in the quality of raw cotton supplies. Sales of the French spinning and weaving mills continued fairly favorable during the first half of June, but were severely handicapped in the second half of the month by the general uncertainty incident to the strike, and by their natural reluctance to buy as well as to sell for any time ahead because of the difficulty of estimating increases in costs induced by the wage increases that have occurred. Production in the cotton textile industry in France during June was also affected, in the first half of the month, by the closing of a large number of textile plants.

In Austria and in general throughout central Europe, conditions continued to show the unfavorable influence of reduced yarn export business to Rumania. It is reported that certain shifts are taking place in the type of yarn production. The situation in Czechoslovakia was again a little better though still basically unsatisfactory. The increases in Czechoslovakian raw material takings during the past several months are not to be taken as an indication of genuinely improved mill activity, but rather as an expression of concern regarding further restriction of raw material imports. From Hungary it is reported that the Government is about to require an admixture of 10 percent of staple fiber to the raw cotton utilized by spinning mills.

United Kingdom.-Rising prices, large imports, a high level of mill consumption, and small stocks characterized the British raw cotton market situation during June. In the textile industry, favorable domestic demand for cotton manufactures was offset by the difficult export situation, although tariff reductions by India applicable to certain British cloths offered some encouragement to British exporters.

Domestic demand for cotton manufactures in the United Kingdom continued mostly good, the home trade in England was helped by warmer weather, and retail sales showed a rather active demand as compared with a year ago.

Export demand continued fundamentally poor despite signs of recovery. The rising tendency of raw cotton prices has resulted in broader inquiry for yarn and cloth, and tariff reductions have also encouraged trade with Canada and Australia. Exports of cotton piece goods during May, however, were unusually small, especially bleached, printed and piece-dyed goods. During the 6 months January through May, the quantity of cotton piece goods exported was 7 percent less than a year ago, and 15 percent less than 3 years ago. On the other hand, there has been a slight increase in the less important exports of cotton yarns.

Abnormally large importations of short staple cotton were made during May, especially from India. Fairly normal importations were made in medium and long staple cottons. The importation of raw cotton as a whole during

1/ Prepared largely from the report of Lloyd V. Steere, United States Agricultural Attache at Berlin, under date of July 8, 1936.

June was rather large. The same was true of deliveries to British mills, the influence of the rising tendency of raw cotton prices being quite evident. Trade returns for the 4 weeks ended June 26 showed a total importation of 241,000 bales of raw cotton, compared with only 187,000 bales a year ago, 196,000 bales 2 years ago, and 232,000 bales 3 years ago. American cotton, in June 1936, represented 99,000 bales, or nearly 40 percent of the total, which was a higher percentage than in either of the 2 preceding Junes. Deliveries to British mills during the 4 weeks ended June 26 amounted to 210,000 bales, compared with 197,000 bales a year ago, 206, 000 bales 2 years ago, and 185,000 bales 3 years ago. In each period, except last year, about 25,000 bales per week were of American origin.

Germany.-Reports from German cotton textile quarters indicate a recent slight improvement in the sales of cotton yarn and cotton cloth, a development attributable to increased home demand. The improvement in the demand for cotton yarns and cotton cloth seems to have been partially influenced by rising raw material prices, but there was said to have been a noticeable increase in retail sales of textiles as a result of good summer holiday demand. The export situation is reported to be stagnant.

Raw material buying by the German cotton industry has remained within the limits of the currency and buying restrictions. Supplies may still be considered as adequate in quantity, but much below normal in quality. Lower Rhine weaving mills have been complaining of a lack of pure cotton yarns.

German cotton imports continue to run below the spring and early summer takings last year, with reduced imports from Brazil a major factor. Imports from the United States, on the other hand, continue above the much reduced figures of early 1935. (See table below)

German raw cotton imports, 1934-35 and 1935-36

Date and region	1934-35	1935-36
	Bales of 478 pounds	Bales of 478 pounds
Aug. 1 - May 31		
Total-	944,000	1,200,000
From United States ...	309,000	404,000
From Brazil	185,000	219,000
Total		
Mar.	106,000	738,000
Apr.	133,000	110,000
May	109,000	84,000
From United States		
Mar.	25,000	28,000
Apr.	30,000	40,000
May	23,000	26,000
From Brazil		
Mar.	22,000	4,000
Apr.	50,000	7,000
May	30,000	6,000

It is likely that exports of Brazilian cotton to Germany will increase in the next year, although probably imports from Brazil will not be so large as in the year 1934-35. The United States has imposed countervailing duties upon certain German goods imported into the United States as a result of the granting of bounties or other forms of special aid to their exportation by Germany. It is believed in many quarters, both American and German, that the restriction of the entry of these German goods into the United States will materially decrease German purchases of American cotton. This is believed to be especially apt to be true because to a considerable degree the foreign exchange arising from the sale of the goods on which the new duties have been placed was specifically allocated to the payment for shipments of cotton under contracts with shippers in the United States. On the other hand, Germany and Brazil are reported to have just recently concluded a new agreement for the exchange of German manufactures for Brazilian coffee, cotton, and other agricultural products. The agreement provides for the shipment of approximately 190,000 bales of cotton to Germany during the next year. It is not known whether shipments will be limited to about 16,000 bales per month, but total exports for the year under the plan cannot exceed 190,000 bales.

Raw cotton stocks at Bremen continue on low levels, July 6, 1936 figures showing 202,000 bales against 186,000 bales the previous year and 463,000 bales 2 years ago. These figures show a rise as compared with last year as well as against the 195,000 bales on hand June 8, but there seems to be no particular significance in the change.

A recent ordinance of the Supervisory Office for Bast Fiber (No. 15) prohibits, effective July 15, 1936, the manufacture of pure jute yarns and pure jute fabrics. The ordinance prescribes that flax and hemp fibre must be mixed with jute yarns to an extent of at least 10 percent of the final weight; in the case of textilite yarns and fabrics, paper must be mixed to the extent of at least 60 percent of the final weight; with certain jute fabrics paper yarns must be mixed to the extent of from 25 to 33 percent, and other jute fabrics must contain paper, flax and hemp yarns and fibres of varying percentages. Exemptions from these regulations may be made only with the consent of the Minister for Economic Affairs.

Czechoslovakia.- The slight betterment recently experienced in the Czech cotton textile industry seems to have been maintained, but the basic situation remains very unsatisfactory, largely because of very limited export business. The textile industry is increasingly aware of the necessity of a solution of the export problem for the industry as a whole, either through premiums and special agreements, or through further devaluation.

The recent increases in the importation of raw cotton into Czechoslovakia should not be attributed to a much increased mill consumption, but rather to a tendency on the part of the industry to acquire raw material stocks in anticipation of further governmental measures toward import restriction. This situation has not escaped the attention of the National Bank, and it is reported that the Bank will resort to some sort of currency and purchase contingents to be allotted to individual firms.

Austria.- The Austrian textile situation has been considerably influenced by the severe decline in export possibilities for cotton yarn in Rumania, and it is now reported that the reduction in such sales will lead to a reorganization of certain mills, involving a shift toward the production of more fine count cotton yarn, which previously has largely been imported from Czechoslovakia, Great Britain and Switzerland. Cotton weaving mills also reported a recent decline in business, but this is considered only temporary.

France.- Cotton mill sales and cotton mill production in France were severely hampered during June by the widespread strike movement and by the resultant wage increases and uncertainty regarding future costs in the industry. Although sales of cotton yarn and cotton cloth were active in the first half of June, they dropped to insignificant figures in the second half of the month because of the general reluctance of buyers to commit themselves, and of sellers to make contracts for any period ahead. A large number of the mills were completely shut down by the middle of June, but operations were resumed in the latter half of the month.

As a result of the recent wage increases, the introduction of paid leave, and the reduction of working hours, the textile industry is threatened with a heavy increase in costs, which it may be difficult to compensate by increased selling prices. As a result, the French cotton textile outlook is somewhat clouded, and some observers think that curtailment of operations as a result of unfavorable price-cost relations is in prospect for the fall. Much will depend, however, on the manner in which the more fundamental general economic problems in France are attacked by the authorities, and on whether

Production and sales of cotton cloth in France, 1913-35

Year	Production	Sales			Sales in percent of total		
		Domestic	Colonial	Foreign	Domestic	Colonial	Foreign
	Million pounds	Million pounds	Million pounds	Million pounds	Percent	Percent	Percent
1913 1/	410.5	297.6	61.7	60.2	72.0	14.0	14.0
1924	316.8	175.0	49.2	98.8	53.3	15.5	31.2
1925	347.4	232.4	63.5	58.6	64.8	18.3	16.9
1926	382.7	253.1	78.7	56.9	64.6	20.6	14.8
1927	382.3	212.3	84.2	88.6	54.8	22.0	23.2
1928	391.5	233.9	79.8	81.6	58.8	20.4	20.8
1929	385.1	247.8	90.6	57.5	64.4	22.0	13.6
1930	391.3	254.2	75.0	43.2	71.5	18.0	10.5
1931	322.8	242.7	63.9	29.8	70.6	20.0	9.4
1932	271.2	214.7	64.6	20.7	72.2	22.2	5.6
1933	336.9	246.5	78.0	16.1	73.7	22.9	3.4
1934	293.2	194.0	76.9	10.8	69.4	28.0	2.6
1935	---	---	78.7	7.1	69.9	28.6	1.5

Compiled from the "Frankfurter Zeitung", July 5, 1936.
1/ Excluding Alsace-Lorraine.

a successful anti-crisis policy can be devised under the particular circumstances prevailing in France. There is no doubt that the cotton industry would profit greatly from a strengthening of general purchasing power such as the Government aims at.

A recent review of the Allgemeine Elsassische Bank-Gesellschaft 3/ emphasizes the growing importance of the French colonies for the exportation of cotton fabrics from France in post-war years. Without that market the French cotton industry might well have collapsed. From 1913 to 1935, the percentage of cotton cloth exports going to the colonies rose from 14 to 28.6 percent of total sales, while the share of exports to foreign countries, which had risen to 31.2 percent in 1924, declined from 14 percent in 1913 to 1.5 percent in 1935. The figures for 1913 do not include Alsace-Lorraine.

Italy.--According to a recent ordinance of the Italian Government, exports of wines, vermouth, and silk fabrics can now be made in compensation against imports of raw cotton, cotton waste and jute. It is hoped that this will facilitate the obtaining of increased supplies of these raw materials.

Hungary.-- Rumors indicate that the Hungarian authorities are about to issue an ordinance which will oblige cotton spinners to mix 10 percent of staple fiber with the raw cotton manufactured. It is indicated that the Hungarian mills will use both the Italian Snia Fiocco and German Vistra.

Japan 4/.--Yarn production in Japan was 303,968 bales of 400 pounds in May and 308,524 bales in June. Yarn output in both months was slightly above production in the same 2 months last year, and was the highest production on record for these 2 months. These were the first months during the present season that yarn production was not below the record high level of last year.

Cotton imports during the month of May were large, amounting to 364,820 bales against 214,146 bales in May of last season. Imports of Indian cotton were 212,752 bales, an increase of 76 percent over imports of 120,909 in the same month last year. Imports of American were 108,225 bales, an increase of 46 percent over last May's imports of 74,104 bales. Imports of all growths of cotton from September to May inclusive of the present season were 2,779,000 bales compared with 2,675,224 bales during the same period last season. Imports of Indian cotton during these same months were only slightly larger than last season, 1,114,000 bales against 1,054,000 bales. Imports of American cotton were a little below last year, 1,331,500 bales against 1,363,660.

Mill takings of all growths of cotton of 305,228 bales in May were 11 percent less than a year ago, with a slight increase in the takings of Indian and a sharp decrease in takings of American compared with May of last year. On the other hand, mill takings of all cotton in the period September to May were only slightly less than during the same period last year, while takings of Indian were a little less and takings of American a little more than last season. It is believed that the increased imports and mill takings of Indian cotton relative to American in May were due to the

3/ As per "Frankfurter Zeitung", July 5, 1936.
4/ Prepared largely from a cable from Agricultural Commissioner O. L. Dawson at Shanghai, under date of July 13, 1936.

tendency for the price of American cotton to increase relative to Indian in recent months. Imports of Chinese, Brazilian, and Peruvian cotton have been running above last year.

Cloth exports of 249,392,000 square yards in May were high as compared with recent months, but it would seem to be somewhat doubtful whether the present high level of cloth imports can be fully maintained in view of the continual increase in barriers against Japanese textiles erected by importing countries.

China 5/.--The supply of old crop cotton at interior points is reported to be very small. The major portion of the spinning industry has sufficient stocks to last until the new crop begins to move, but some mills are expected to feel a shortage of cotton before new crop arrivals begin.

During June, mill demand for Chinese cotton showed a slight increase probably because of the anticipation of some shortage before the arrival of new crop cotton. There has also been a slight improvement in the demand for yarn, although mill activity has tended to decline somewhat.

The shortage of Chinese cotton has caused its price to rise relative to foreign growths, especially Indian, and there has been some buying of Indian cotton. In general, however, the tendency is to meet mill requirements to as large a degree as possible by an increased use of Chinese cotton and by heavy draft on stocks in anticipation that the new crop will provide an increased supply of native cotton.

Shanghai arrivals from October to June this season were 1,090,000 bales compared with 835,300 in the same period last year. Arrivals of Chinese cotton amounted to 962,500 bales, an increase of 57 percent over the same period last season. Arrivals of American were 39,868 bales or a little more than a third of last year. Relatively smaller declines were shown in arrivals of Indian and Egyptian cotton.

Imports of American cotton of 45,754 bales from October to May amounted to less than half of imports during the same months last season. Imports of Indian cotton increased slightly while those of Egyptian declined.

Production, Acreage, and Crop Conditions

United States.--The Crop Reporting Board reports an area of cotton in cultivation on July 1, 1936 of 30,621,000 acres compared with 27,888,000 acres in cultivation on July 1 last season, an increase of 9.8 percent. Among the major producing States, Texas showed the largest increase, the area planted to cotton increasing from 10,964,000 to 12,280,000 acres or 12 percent. Generally speaking, the smallest percentage increases in acreage took place in the Atlantic Seaboard States.

5/ Prepared largely from a cable from Agricultural Commissioner O. L. Dawson at Shanghai under date of July 14, 1936.

Assuming the 10-year average abandonment of 2.3 percent of planted acreage, the acreage in cultivation on July 1 of 30,621,000 acres, with a yield per acre equal to the highest for the last 10 years, would result in a crop of about 13,626,000 bales of 500 pounds gross weight. With a yield equal to the lowest in the last 10 years the crop would amount to 10,064,000 bales, and with 1931-35 average yields to 12,242,000 bales.

Trade reports indicate that cotton crop conditions are fairly favorable. The severe drought conditions which existed in the northeastern part of the Belt at this time last month have been broken for the most part by rains during the last 3 or 4 weeks.

China.- The present estimate of the 1936-37 Chinese cotton crop is about 3,250,000 bales. Harvesting of the crop is now beginning and will continue until November. The present estimate of a crop of 3,250,000 represents an increase of 25 percent over the 1935-36 crop of 2,600,000 bales. There has been an increase in acreage of about 15 percent in the Yangtze Valley and 35 percent in North China.

Argentina.- The first official estimate of the Argentine Cotton Board is for a production of 353,751 bales from an area of 783,354 acres. This compares with a final estimate of an output of 295,352 bales and an area of 707,069 acres for last year.

UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Division of Statistical and Historical Research

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WORLD COTTON PROSPECTS

Summary

Domestic cotton prices have tended to decline during the last 6 weeks. The price at the 10 markets, which reached a high for the season of 13.42 cents on July 10 and averaged 13.08 cents in the week ended July 18, averaged 11.87 cents in the week ended August 22. Probably the most important price depressing influence has been the prospect of a somewhat larger crop in the United States. Also of some importance have been some unfavorable factors affecting the immediate foreign demand situation, namely, the low price of cotton of foreign growth relative to American cotton, continued and even increased obstacles to the importation of American cotton by Italy and Germany, and the Civil War in Spain.

The price of foreign cotton continued to be high relative to American cotton at Liverpool during July and the first half of August. The price of southern Brazilian cotton was especially weak relative to American.

Based on conditions as of August 1, a United States cotton crop of 12,481,000 bales is forecast by the Crop Reporting Board. The indicated yield per acre is 199.7 pounds. This indicated production added to the trade estimated world carry-over of American cotton of about 7,100,000 gives an indicated total supply for the 1936-37 season of about 19,600,000. This is approximately the same supply as last year, and is slightly smaller than the 1923-24 to 1932-33 average of 20,437,000 bales. Of the domestic carry-over of approximately 5,324,000 bales, government financed stocks account for 3,159,000 bales. On August 1, 1935, government financed cotton amounted to 5,088,000 bales.

Domestic cotton mill activity continues to be very high. Cotton consumption during July was 603,203 bales against only 390,712 bales in July of last year. Total consumption for the season was 6,348,423 bales compared with 5,360,867 bales in 1934-35.

European mill activity is fairly high, although conditions vary considerably from country to country. Conditions continue good in England, and in France there has been an improvement in the political and labor situation as it affects the cotton textile industry. However, in Germany and in Italy the problem of paying for cotton imports is affecting seriously the importation and consumption of cotton. In Italy the situation has tended to become worse as a result of failure to regain export markets for cotton textiles, the decline in business for the Government and the granting of fewer permits to import cotton for the completion of government contracts, and continued large stocks of cotton textiles within the country. Prospects for American cotton in Germany are clouded by a barter arrangement between Germany and Brazil and by restrictions imposed by the Governments of both Germany and the United States upon trade between the two countries.

In Japan, mill activity, yarn production and cloth exports are at high levels but American cotton is being replaced to a large extent by foreign cottons, especially Indian and Brazilian.

In China, the importation of and delivery to mills of foreign cottons, especially American, are restricted in anticipation of the movement of the new Chinese crop which is expected to be a record high of 3,400,000 bales.

Cotton acreage planted in India up to August 1 was 3 percent above that sown up to the same time in 1935.

Egyptian cotton acreage in 1936-37 is estimated at 1,781,000 acres or about 3 percent more than the 1935-36 area.

In Argentina, Government agencies are formulating far reaching plans which will have as their specific and immediate purpose the extension of the cotton area in the new 1936-37 season and in the long run, such a removal of obstacles as will permit a wide extension of cotton cultivation into new areas.

Prices

The price of Middling spot cotton at the 10 markets, after reaching a high for the season of 13.42 cents on July 10, has shown a tendency to decline since then. The weekly average price was 13.08 cents for the week ended July 18, 12.98 cents for the week ended July 25, 12.78 cents in the week ended August 1, 12.53 cents for the week ended August 8, 12.24 cents for the week ended August 15, and 11.87 cents for the week ended August 22. The average for the month of July was 12.90 cents. Among price depressing influences during the past few weeks, have been the general beneficial weather conditions affecting crop prospects in the United States and some unfavorable factors featuring the foreign demand outlook, such as the high price of American cotton relative to foreign growths and the disturbance of cotton consumption and industrial activity in general on the Continent as a result of civil war in Spain, exchange restrictions in Germany and Italy, and unsettled political and labor conditions elsewhere.

Prices of foreign cotton continue to be low relative to the price of American. The ratio of three types of Indian to two types of American at Liverpool during July was lower than at any time during the past year with the exception of last August when the ratio of 76.1 was almost the same as the average for this past month. The price of Egyptian Uppers relative to American strengthened somewhat in July as compared with June and the same month last year. However, the price of Brazilian Sao Paulo Fair expressed as a percentage of American Middling was lower than in June, and was the lowest relative price for the month of July since 1930.

Stocks and Movements

The world carry-over of American cotton on August 1 of this season, estimated by the Trade at approximately 7,100,000 bales, compares with 9,009,000 bales on the same date last season and the 10-year average of 6,024,000. Of the total carry-over of about 5,324,000 in the United States, 3,237,000 bales were government-financed cotton and 2,087,000 were in private hands. On August 1, 1935, government-financed spot stocks amounted to 5,088,000 bales and private holdings to about 2,050,000 bales. The indi-

cated carry-over of American cotton in foreign countries is roughly 1,776,000 bales compared with about 1,900,000 bales on August 1 last year and an average of 2,337,000 bales from 1923-24 to 1932-33. Indicated production for the 1936-37 season of 12,481,000 bales 1/ plus a trade estimated world carry-over of about 7,100,000 bales gives an indicated total supply of American cotton for 1936-37 of about 19,600,000 bales, approximately the same as last year and somewhat less than the 10-year average of 20,437,000 bales. However, in the 10 years ended 1932-33, world consumption of American cotton averaged 13,476,000 bales which is 2,138,000 bales more than the consumption of 11,338,000 bales in 1934-35, and 1,000,000 bales more than trade estimates of 12,475,000 bales consumed in 1935-36.

Exports

Exports of American cotton amounted to 156,262 bales in July compared with 279,822 in the same month last season. The high price of American cotton relative to foreign growths, foreign exchange difficulties in Germany and Italy, and the expectation of increased supplies in the near future, as a result of prospects for a new crop in the United States larger than had been thought likely at first, have been important factors tending to discourage exports. Exports for the season ended July 31 were 5,972,566 bales, an increase of 24 percent over last year's very low level of 4,799,000 bales but 25 percent less than average exports of 7,880,000 bales in the 10 years ended 1932-33.

Exports of cotton from Egypt in May, June, and July were 124,464 bales, 99,932 bales, and 85,817 bales respectively, as compared with shipments of 112,601 bales, 94,033 bales, and 84,984 bales in the same months of 1935. Exports for the season ended July 31 totaled 1,688,879 bales against 1,655,169 in 1934-35 and the 10-year average of 1,463,042 bales.

Cotton shipments from Brazil, after lagging behind the corresponding months of the preceding year in February and March, advanced considerably above the level of 1935 in April, May, and June in response to the movement of the new record breaking crop in southern Brazil. Exports in the 3 latter months amounted to 53,109 bales, 52,481 bales, and 119,321 bales respectively, as compared with 39,405 bales, 35,873 bales, and 74,073 bales in the same 3 months of 1935. In addition to the large volume of total exports the most striking aspect of the Brazilian export situation is the great increase in shipments to Japan.

The Textile Situation

United States.-Domestic cotton mills continue to be very active, and cotton consumption is running at a very high rate. Trade reports state that mill sales of unfinished goods were relatively light during the month of July and the first half of August. However, mill stocks are not large, and cloth prices have shown little or no change. The domestic spinning situation can be regarded as favorable in view of the high ratio of unfilled

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1/ See section on Production, Acreage and Crop Conditions, page

orders to unsold stocks. Since cotton prices have been tending downward during the past month while yarn and cloth prices have remained firm mill margins have widened. Cotton consumption during July amounted to 603,203 bales compared with 390,712 bales in July of last year. Total consumption for the season was 6,348,423 bales. This compares with a utilization of 5,360,867 bales last year, and an average of 6,182,000 bales in the period 1923-24 to 1932-33.

Europe 2/

United Kingdom.-The cotton marketing season just closed has shown a marked improvement over the 1934-35 season in British imports and deliveries to the mills of both American and competitive growths. The situation of the cotton textile industry at the end of the cotton year, moreover, continued to be characterized, as hitherto, by a level of demand for domestic account sufficient to be pushing mill requirements slowly upward, notwithstanding persistent weakness in export trade, particularly in piece goods, and especially in the closing months of the season. In fact, a substantial import movement of raw cotton in the early part of the new season is indicated by the relatively low stocks and increasing requirements of the mills.

Latest cotton textile reports from the United Kingdom indicate that a fair amount of new business in cotton yarns and cotton manufactures was again booked by British spinners and weavers at the beginning of July, with home trade buyers placing substantial contracts in the cloth section. Business in yarns remained patchy, with only moderate trading in Egyptian and American qualities. Exports continued generally irregular, but somewhat improved demand for South America, together with freer buying for India was reported. Later in the month, business in cloth and yarns was unfavorably, though probably temporarily, influenced by the fluctuations in cotton prices and the resultant reluctance of buyers to follow the advance of prices of raw cotton in contracts for cloth. Unprofitable prices on available foreign business were also a hampering factor. The month ended with business in cotton yarns difficult, the exaggerated advance in Egyptian cotton making especially for hand-to-mouth trading in the fine spinning section. Spinner and merchant demand for raw cotton in July closely paralleled their new sales of goods. Spot and forward deliveries were both rather active, notably in the first half of the month, but profit taking and hedge selling featured the end of July.

Imports of all cotton into the United Kingdom amounted to 3,148,000 running bales during the cotton year ended July 31, 1936. This is the highest season total since 1928-29 and represents a gain of about one-third from the low point in 1930-31. Imports of American cotton totaled 1,471,000 running bales compared with 816,000 last year, 1,359,000 2 years ago, and 1,526,000 3 years ago.

2/ Prepared largely from the report of Lloyd V. Steere, United States Agricultural Attache at Berlin, under date of August 10, 1936.

The import figures for 1935-36 also show a further slow tendency toward an increased use of short staple cotton in British mills. Of the total importations of cotton during the 11 months, August-June, (2,883,000 bales 3/) 8.6 percent was short staple (7/8 of an inch and under) as compared with 3.9 percent, 5.7 percent and 7.4 percent in the corresponding periods of 1932-33, 1933-34, and 1934-35. Imports of long staple cotton (1-1/4 inches and over) were 16.3 percent of the 11 months total, a slightly smaller percentage than in the 3 preceding years. Imports of both short and medium staple cotton from India have been unusually large this season. Brazilian medium staple cotton has dropped back from last year's high figure to the level of 2 years ago.

Takings of cotton by British mills in the season 1935-36 amounted to 2,825,000 running bales, an increase of 8 percent over last year and of 40 percent over the low year 1930-31. American cotton delivered to the mills amounted to 1,356,000 bales, or 48.5 percent of total takings calculated on the basis of running bales. This is a marked improvement over the 37.8 percent of last year, but compares unfavorably with 55.9 percent in 1933-34, 60 percent in 1932-33, and the figures up to 85 percent achieved 15 and 20 years ago.

Total stocks of cotton in the United Kingdom rose during July to the highest level in several months, 758,000 bales, but are still considerably below 1933 and 1934 figures for the same date. Stocks of American cotton, however, were reduced by small importations to only about 280,000 bales, or about an 11 weeks' supply. This is within 100,000 bales of the low figures reached a year ago, and is much below the holdings of 2 and 3 years ago. When the present rate of consumption is considered, there would appear to be a good prospect for substantial importations of American cotton during the early months of the new season.

The substantial character of the current satisfactory level of domestic demand for textile products in Great Britain seems to be indicated by the fact that retail stocks of textiles continue to run lower than a year ago in most lines, and that retail trade, in terms of value, is definitely better than a year ago in most lines.

On the other hand, the unfavorable development of cotton piece goods exports in 1936 has been marked. The quantity of such exports in the 6 months January-June 1936, was 8 percent below the same period last year and 15 percent less than 3 years ago. Exports of cotton yarn, however, have risen by 8 and 15 percent over the same years, but these represent only about 40 percent of the volume of cloth exports.

Price fixing schemes for cotton yarns.- Efforts continue to be made in Great Britain to arrange a price fixing scheme for cotton yarn. The success of the agreement in coarse American counts, which has now been in force for about 2 years is encouraging these ideas, and a draft agreement covering medium mule yarns is reported to have been approved and circulated to the establishments affected, which control about 5,000,000 spindles. Yarn doublers are also expected to draw up some agreement in the near future.

3/ Weight divided by 478 pounds.

Germany.- The cotton textile situation in Germany during June and July was characterized by somewhat quieter season/21 tendencies, though many cotton mills did an active business in flag and other decorative material for the Olympic Games, which assumed nation-wide importance. Orders for fall business had not yet been received in any volume by the mills.

The principal developments in the cotton situation in recent months, however, clearly lie in the field of raw material imports. The downward tendency, which set in 6 months ago after materially enhanced takings in the last half of 1935, made further progress, and imports are now running at rather low levels. Along with this general reduction in cotton imports during the past several months has come a significant decline in importations from the United States.

At the close of July, the situation was further complicated by an official prohibition of barter transactions with the United States and of the use of Aski accounts, register marks and other methods of facilitating the German exports to the United States, all of which are so essential to the purchasing of American cotton. The immediate effect is expected to be a further and sharp curtailment of imports of American cotton, but much depends upon the attitude of the Reichsbank toward the use of "devisen" 4/ for cotton, upon the development of exports and upon the availability of other supplies of cotton.

In this connection, it is credibly reported that the new trade arrangement of June 1936 between Germany and Brazil opens up possibilities for obtaining some 286,000 bales of 478 pounds net of Brazilian cotton on a compensation and clearing basis. This is considerably more than the already very large imports of the past 2 years.

German imports of raw cotton during the 11 months ended June 30, 1936 amounted to 1,282,000 bales as compared with only 1,042,000 in the same period of 1934-35, and 1,753,000 and 1,679,000 respectively, 2 and 3 years ago. Imports from the United States August-June 1935-36 were 420,000 bales, compared with only 332,000 in August-June 1934-35, but 1,212,000 and 1,287,000 respectively, 2 and 3 years ago. Importation from Brazil reached a record level of 231,000 bales in August-June 1935-36, compared with only 217,000 in the same period of last year and insignificant amounts in previous seasons. Recently, the imports from Brazil have again been on the increase, following a downward movement since last fall.

The activity of German cotton mills still appears to be at relatively satisfactory levels. Less desirable qualities of raw cotton and inferior spinning materials, such as regenerated cotton 5/ and cotton waste, continue to find wider use in cotton mill consumption. Similarly, the use of staple

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4/ Foreign exchange which can be spent anywhere and can be used by the receiver to purchase goods anywhere in the world market, ordinary foreign exchange as distinguished from Aski accounts, blocked or compensation currency arising from barter transactions which must be spent according to some prearranged plan and does not enter into the official foreign exchange market. A recent estimate placed "devisen" purchases as 40 percent of the total.
5/ Fibre reclaimed from rags.

fibre by cotton spinning mills has been steadily increasing since the first of the year, and it is expected that the 1936 production of staple fibre in Germany will amount to an equivalent of, roughly, 185,000 bales of raw cotton compared with only about 70,000 in 1935. In this connection, a new ordinance of the Supervisory Office for Cotton Yarns and Cotton Fabrics is of significance.

This ordinance, which is dated June 24, 1936 and became effective July 1, 1936, indicates that the utilization of cotton yarns in ribbon, rubber, curtains, net and lace production is to be limited to specified quantities. This is to bring about an increased utilization of rayon and staple fibre in those products. This policy seems to be greatly favored by the currency authorities, notably as a result of the fact that about 40 percent of the raw cotton imported into Germany must be paid for in "devisen". (See footnote on preceding page.)

On July 31, 1936 the Cotton Supervisory Office announced that, effective November 1, 1936 staple fibre or continuous filament rayon shall constitute not less than 16 percent by weight of the spinning material employed in knitted and woven goods of all kinds containing cotton, including undergarments, stockings and socks. Exceptions to the ordinance are permitted in the case of goods produced for exports, and in certain other instances upon permit. Glove materials and outer clothing are not affected.

The official press announcement of the decree stated that the compulsory admixture of 8 percent staple fibre in medium cotton yarns, which was decreed in February, had been so successful that even up to 16 percent admixture was now common practice, and implied that this fact had led to the new decree.

The export business of the German cotton textile industry continues to make progress. Both cotton yarn and cotton fabrics have held up well at the considerably enhanced levels of the fall and winter months, with the export subsidies applied in all branches of the industry since about the middle of 1935, and prolonged for another year, playing an important role. This development assumes major importance in the light of its potential significance as a source of foreign exchange to buy raw cotton now that Aski accounts, etc., are prohibited in trade with the United States.

Czechoslovakia.- There are indications that the spring and summer improvement in the cotton situation in Czechoslovakia was relatively limited, although trade reports now speak of a notable betterment in the employment of the industry and of a slight rise in exports of fabrics. It is clear that principally, domestic demand has been responsible for most of the recovery. It is not expected that the removal of the sanctions against Italy will change greatly the export situation of the Czechoslovakian cotton industry, since it had not profited much from the discontinuance of Italian textile exports to southeastern Europe. Trade with Yugoslavia might, however, be somewhat affected.

There has been a reaction following the rather heavy Czech importations of raw cotton in the winter months, but the present level of takings is still considerably above last year. Total imports of raw cotton during the 10 months ended May 31, 1936, amounted to 369,000 bales of 478 pounds net weight compared with only 254,000 and 304,000 bales 1 and 2 years ago. It is evident, according to Czech reports, that the higher raw cotton imports must be attributed not only to increased mill consumption, but also to a tendency on the part of the industry to acquire raw material stocks in anticipation of further governmental measures to restrict imports. As indicated last month, this situation has not escaped the attention of the National Bank, and some observers believe that the Bank may resort to some sort of currency and purchase quotas for individual firms.

It is reported from Prague that a Government ordinance appeared on July 24, 1936, introducing compulsory cartelization of the textile industry, including cotton. This will take place upon application of 75 percent of the total producing capacity in the respective textile branch(calculated by total turnover, raw material consumption, wage and salary payments or the total number of employed)provided that this majority comprises at least one-fourth of all firms. The syndicate will regulate terms of sales and payment, may eventually allocate production for the domestic market, and will actively promote exports. Details of the project are not as yet known.

Austria.- The last quarter of the cotton year has been one of declining mill business and mill activity in the Austrian cotton textile industry. Because of restriction in exports to Rumania, the Austrian cotton spinning mills experienced a severe decline in unfilled orders which, at the end of May, the latest date for which a fiture is available, stood at 125 percent of the average for 1923-31 compared with 192, the high point reached at the end of January this year. Even at the present reduced level, however, the mills are still supplied with unfilled yarn orders considerably above those held at the same time in previous years. The decline in Austria does not yet seem to have attained the dimensions which the industry anticipated in the spring, and the present rate of occupation may still be considered as very satisfactory, both in spinning and weaving mills.

The importation of raw cotton into Austria so far this season has continued much above that of last year, although there has been a slightly, and partly seasonal, downward tendency since the winter months. Austrian raw cotton imports from August to May 1935-36 amounted to 161,000 bales of 478 pounds net weight, as compared with only 120,000 bales in the same period last year, and 115,000 bales 2 years ago. Imports from the United States in the same period of 1935-36 reached 97,000 bales of 478 pounds net weight, as compared with only 69,000 last year and 78,000 2 years ago.

In Austria as in Czechoslovakia, there have been efforts aiming at the formation of a cartel, or syndicate, of the cotton weaving mills. These have not as yet achieved tangible results in Austria, but are expected by some industrialists to end in the formation of an actual cartel in the autumn. The professed aim of the organization is to bring about an increase in weavers' margins, part of which would be paid into a fund destined to pay

indemnities to closed-down plants. In judging these plans it should be borne in mind that there is no over capacity, absolutely, in Austria in respect to cotton weaving looms, though some of the machinery in place is obsolete. An arrangement, such as the reports suggest is going to be made, would doubtless prevent needed modernization and reorganization and would work toward maintenance of an unhealthy situation. The case for destroying or "insulating" "over capacity" is different, for example, than in Czechoslovakia where there seems to be little hope for an early return of a level of occupation that would give sufficient employment for existing machinery. The fundamental difference between the Czechoslovakian and Austrian situation is that the former country is largely dependent upon exports whereas the latter, in its weaving branch, does not have enough cloth mill capacity to satisfy its entire domestic requirements.

France.-The usual summer quietness was apparent in the French cotton textile industry in July, but the general flow of business, both for cotton yarn and cotton cloth was quite satisfactory, particularly if compared with the month of June when the strike prevailed. The general situation now seems to be a fairly satisfactory one again, for as in the past quarter, the industry as a whole, has resumed the upward trend which set in around the middle of last year.

Indices of spinning mill activity continue to show a rate of occupation some 30 percent above last year, and the available figures on weaving mill activity indicate about the same amount of increase in employment as the spinning branch reports. Unfilled orders on hand in spinning and weaving mills showed a steady rise to the end of April, the latest month for which there are actual figures, and the stocks of cotton yarn and cotton fabrics have further declined. Thus, with fundamentally sound conditions in the French cotton textile branch (gold standard disregarded), it is evident that the discontinuance of the deflationary economic policy last year contributed greatly toward a revival of sales and mill activity in cotton.

Imports of raw cotton so far this season are running much above last year, amounting to 1,107,000 bales of 478 pound bales from August to April 1935-36, compared with only 724,000 bales in the same period last year, and 1,213,000 in 1933-34. Imports from the United States during the 9 months ended April 30, 1936, were 650,000 bales compared with only 337,000 last year, but 812,000 2 years ago.

Observers of the French cotton textile situation have repeatedly expressed the opinion that there will certainly be a continuance of the recovery that has been made so far, if the present political regime continues a policy of general economic stimulation. Whether this will be possible without devaluation of the franc, will depend, partly, upon price and currency movements in the world at large. The generally favorable outlook for the French cotton industry to profit from general economic recovery has been somewhat clouded recently by the heavy increase in costs incident to wage increases, the introduction of paid leave, and the reduction of working hours. It will certainly be difficult to offset these increases in cost by higher sales prices, and an at least temporary curtail-

ment of operations sooner or later, as a result of unfavorable price-cost relationships, is not altogether improbable. Notwithstanding the undoubted benefits to the industry of any general strengthening of purchasing power, which might make possible increases in sales prices needed to restore a price-cost equilibrium, there is an impressive concensus of opinion that a successful economic policy without an adjustment of the franc has become more improbable than ever, as a result of the increase in wage and cost levels incident to the strike results and subsequent social legislation.

Italy.-General quietness has prevailed in the Italian cotton and cotton textile trade since the end of May, as it became more and more apparent that heavy buying of cotton goods and yarns during the past winter and early spring, in anticipation of the sanctions, had resulted in general overstocking by manufacturers and the cotton goods trade. High domestic prices of yarns and finished goods have apparently curtailed consumption greatly and the trade, in the face of expected changes in the general situation following the successful termination of the Ethiopian war, has been generally reluctant to absorb the finished goods and yarns at the high prices at which they have been held.

The situation has been further aggravated by developments in July, among the most important of which were the sudden cancelation of government contracts for the army, the failure of cotton textile exports to revive after the lifting of sanctions, and the further restriction of raw cotton imports. The cumulative effect of these factors is reliably reported to have been a further curtailment of mill production, the shortening of hours and even the closing down of some plants.

The failure of exports to revive is principally due to the high level of textile prices in Italy itself, but in part also, to the attitude of the Italian Government, which has been unwilling to permit exports to countries where the proceeds were likely to be impounded to satisfy claims "frozen" in Italy as a result of the sanctions. These claims, the Italian Government insists, must be paid off gradually through increased exports to the creditor countries. To date this attitude is effectively blocking the regaining of textile export outlets and, even though agreements may eventually be reached, it will doubtless be a difficult and lengthy struggle to get back the markets that have been lost.

The further curtailment on imports of cotton in July is a result of the withdrawal of permission to import cotton to replace raw material used in government contracts, and the imposition of certain restrictions on imports of cotton even for the replacement of exported goods (hitherto freely permitted). It is understood that, at least temporarily, up to 75 percent of the proceeds of foreign exchange derived from exports of cotton yarn and cloth can be used to buy cotton. When goods exported contain less than a certain percentage of cotton, the exchange for purchase of raw cotton is proportionately reduced. The difference between 75 percent, or a lower figure, and 100 percent of the export proceeds must be surrendered

to the National Bank. The aim is thus to assure that there shall be no loss of foreign exchange on such transactions. This being the case, it may greatly influence Italian ability to regain textile outlets in the Balkan area where such widespread control of exchange is in effect.

One additional reason for curtailing raw cotton imports at this time is thought to be the probable desire of the authorities to force the utilization of present large stocks of goods, which, incidentally, are not only high priced, but also understood to consist, to a considerable extent, of products made with less desirable mixed materials or substitutes.

Receipts of all cotton in leading Italian ports in July 1936 are reported to have been about 30 percent under the same month last year. Takings of American, Indian, and Egyptian were said to be even more reduced, but arrivals from Argentina and Brazil materially increased as a result of Italian trade agreements with those countries.

The creation of a company to study and promote the production of cotton in Abyssinia has just been announced in "II Sole" of July 29, 1936. The company, which has an initial capital of 2,000,000 lire, has the official backing of the National Facsist Federation of the Cotton Industry and of the Italian Cotton Institute, and has full power to acquire necessary concessions and equipment to carry out its purpose.

Russia.- Production of cotton fabrics during the first half of 1936 is reported to have amounted to 1,437,000,000 yards. This is 18 percent above the reported figures for the first half of 1935 and 2 percent above plan. The quantity of high quality fabrics produced is reported to have increased. Output of finished fabrics during the first 6 months of 1936 was as follows:

1936	Finished fabrics	Yarn
	1,000 yards	1,000 bales 400 pounds
Jan.	228,781	165
Feb.	230,531	158
Mar.	249,888	159
Apr.	228,453	161
May	226,266	162
June 1/	272,832	
Total	1,436,751	805

1/ Preliminary and possibly too high, since calculated on the basis of a figure for the first 6 months and monthly data for January to May, inclusive.

Japan 6/.- Yarn production in July amounted to 294,608 bales of 400 pounds each. This compares with an output of 283,076 bales in the same month last season, and is the largest production for any July on record. However, total yarn production for the year from August to July of 3,536,915 bales is slightly less than last season's output of 3,634,341 bales. The high level of yarn output during July and current trade reports indicate that there was probably about the same degree of activity in July as in June.

Yarn production in June was 308,524 bales, the largest output for the month on record. Cloth exports were 225,085 square yards during June compared with 201,073 square yards in June 1935. Exports during the 10 months September to June, however, amounted to 2,220,919 compared with 2,255,108 square yards in the same 10 months of the 1934-35 season. Decreases in shipments to the Netherlands Indies, China, and Hongkong were not fully offset by enlarged exports to British India, Egypt, Africa, and the United States.

Total imports of raw cotton were next to the largest ever received in June. Imports of American cotton, although slightly larger than in June 1935 were 13,000 bales below the 5-year average, and represented a smaller percentage of total imports than had been the case in any previous June for which records are available. The share of American was a little over 21 percent compared with an average for the last 5 years of more than 38 percent and between 30 and 31 percent in June 1935. Imports of Indian, Egyptian, Chinese, Brazilian, and African cotton were much larger than in June 1935. Imports of Indian of 200,258 bales in June were nearly twice as large as the imports of American. However, for the period from September to June imports of American cotton totaled 1,435,733 bales, or slightly more than the 1,314,298 bales received from India. Imports of American were slightly below those for the same period in the preceding season, while imports from India increased nearly 10 percent. Imports of Chinese cotton and miscellaneous growths, especially Brazilian and African cottons, were 134,532 and 177,033 bales respectively and were approximately two and one-half times as large as the imports of these cottons in the same 10 months of the 1934-35 season.

China 7/.- The movement of yarn and piece goods has been relatively good during the last few months as a result of some improvement in general economic conditions. However, yarn production from October to April of the season just closed was somewhat below output during the same months last year. Production of the coarsest yarns declined considerably, but was offset in part by an increase in the output of medium quality yarns. Total yarn production from October to April amounted to 1,034,250 bales of 400 pounds against 1,159,200 bales during the same period in the 1934-35 season.

6/ Prepared largely from a cable from Agricultural Commissioner O. L. Dawson, Shanghai, under date of August 6, 1936.
7/ Prepared largely from a cable from Agricultural Commissioner O. L. Dawson, Shanghai, under date of August 14, 1936.

Both Japanese and Chinese owned mills are interested in securing cotton from the new Chinese crop, some of which will be available in the early part of September. There has been some hesitation in the buying of cotton due to the expectation of the movement of the new crop to market. The new crop is expected to be a large one which will put China on an export basis for short staple cotton with a consequent lowering of prices. Imports of cotton into China from October to June amounted to 151,331 bales compared with 232,484 bales last season. While imports of Indian and Egyptian declined, most of the decrease was accounted for by a drop in imports of American. American cotton received in China totaled only 48,612 bales compared with 115,001 bales in the same 9 months of the 1934-35 season. Deliveries of all cotton to Shanghai mills amounted to 1,213,000 bales between October and July of this past season, an increase of about 50 percent over deliveries of 808,000 bales in the same 10 months of 1934-35. Deliveries of American and Indian cotton declined from 134,000 to 52,000 and from 88,000 to 69,000 bales respectively while deliveries of Chinese cotton nearly doubled, rising from 557,000 to 1,057,000 bales.

Production, Acreage and Crop Conditions

United States.- The August 1, 1936 consolidated cotton report of the Crop Reporting Board estimates the new crop at 12,481,000 bales of 478 pounds net. This production represents an estimated average yield per acre of 199.7 pounds from 29,924,000 acres. This compares with an actual production and yield for last year of 10,638,000 bales and 186.3 pounds respectively. In 1934-35 production amounted to 9,636,000 bales, the 5 years 1928-29 to 1932-33 averaged 14,667,000, and the 10 years 1923-24 to 1932-33, 14,414,000 bales. This season crop conditions are poorer than at the same time last year, and are poorer than they were on an average from 1923-24 to 1932-33 in Georgia, North Carolina and South Carolina, and are poorest of all in Oklahoma. In the other important producing States conditions are better than the 10-year average and are about as good or better than last year.

India.- The first estimate of Indian cotton acreage places the acreage sown up to August 1 at 15,769,000 acres. On the same date last year the sown area amounted to 15,271,000 acres. On an average in the 10 years 1923-24 to 1932-33 the area planted up to August 1 represented 57.6 percent of the final estimate of total acreage for the season. Assuming that the same relationship which prevailed on the average during that 10-year period was to hold this year, total Indian acreage in the 1936-37 season would be 27,376,000 acres, against 25,138,000 in this past year. It must be noted, however, that a forecast of final acreage based upon an average of the percentage of total acreage planted up to August 1 during previous years necessarily results in a very rough estimate because of the fairly wide variation from year to year in the portion of total acreage planted by August 1. Between 1923-24 and 1932-33 this percentage ranged from 47.5 in 1924-25 to 62.5 in 1930-31.

China.- The present estimate of the Chinese cotton crop, according to Agricultural Commissioner Dawson at Shanghai, is for an output of about 3,400,000 bales. The harvesting of a crop of this size would mean a new record high production. The previous record crop was 3,100,000 in 1934-35. Output in 1935-36 was 2,600,000 bales and averaged 2,471,000 bales in the 5 years ended 1934-35.

Providing the new crop is of the size expected, China will be on an export basis for short staple cotton. China probably will be able to export about 300,000 bales, most of which would be expected to go to Japan. However, the volume of Chinese exports will depend not only upon the demand of the cotton industry in China, but also upon the extent to which the price of Chinese cotton declines relative to other growths, especially Indian. Should cotton exports from China amount to anything like 300,000 bales, total exports will doubtless exceed imports of all kinds by a considerable margin. However, it is not likely that the large Chinese crop will reduce imports of American cotton below the low level of this last season because of the unusually small stocks of American cotton at the present time and the necessity for using American in the spinning of some of the better quality yarns

Egypt.- The Ministry of Agriculture's estimate of Egyptian cotton acreage in the 1936-37 season is 1,781,000 acres or 3 percent above the 1935-36 area. There has been an increase, as compared with last season, of between 6 and 7 percent in the acreage of the "short staple" Ashmouni and Zogora varieties. The area planted to Sakellaridis declined over 45 percent, but there was an increase of over 50 percent in the acreage planted to Giza 7, a long-stapled variety which is somewhat shorter than Sakellaridis, but has a higher yield per acre and a greater gin turn-out.

Argentina.- The Argentine Ministry of Agriculture has announced the preparation of a plan for the expansion of cotton acreage during the coming crop year of 1936-37. In addition to pointing out the progress in the Chaco and the increase in population and in area devoted to cotton growing which is expected to take place as a result of the recent opening of the North Argentine Central Railway, the Ministry of Agriculture and the Subcommission of the National Cotton Board for Cotton Expansion and Colonization indicated that serious attention will be given to overcoming the obstacles which hamper the expansion of cotton acreage in areas outside the Chaco. Other provinces in Northern Argentina which are suited in soil and climate to cotton production are Salta, Santa Fe, Formosa, and Corrientes. The chief barriers to the extension of cotton growing in these areas are lack of transportation, sparsity of population, and a lack of knowledge of cotton growing on the part of the farmers. It is planned to overcome or greatly lessen these disadvantages by: the building of roads, moving a large number of farmers from areas in which they had settled with the intention of producing wheat but in which wheat growing had proved unprofitable, granting liberal credits by the national bank, experimental plots, and intensifying education and propaganda on cotton growing by the Regional Agronomists and other representatives of the State.

Cotton production in Argentina has increased rapidly during recent years. The first official estimate of production and acreage in 1935-36 is for a production of 353,751 bales from 783,354 acres. This compares with a final estimate for 1934-35 of 295,352 bales and 707,069 acres. In the 5-year period 1928-29 to 1932-33 production and area averaged approximately 145,000 bales and 308,000 acres respectively.

Russia.- The preliminary estimate of the 1935-36 crop from Russian sources still stands at approximately 2,500,000 bales. It is believed, however, that there will be some downward revision of this figure to probably something like 2,250,000 bales. The 1936-37 plan calls for a crop of over 3,000,000 bales, but it seems improbable that such a high figure will be reached although there is quite likely to be some increase over 1935-36.

Cotton, American: Exports, production, carry-over, supply, consumption, and price per pound, 1928-29 to date

Season beginning Aug. 1	American								
	Domestic exports from the U. S.	United States production	Total carry-over beginning of season: In United States	Total carry-over beginning of season: World	Government-financed stocks, beginning of season: Spots	Government-financed stocks, beginning of season: Spots & futures	Total supply	Consumption in United States	Prices at 10 spot markets
	1,000 running bales	1,000 bales of 478 lb. net	1,000 running bales	1,000 running bales	1,000 running bales	1,000 mixed bales 1/	1,000 mixed bales 2/	1,000 running bales	Cents per pound
1928-29	8,044	14,477	2,425.6	5,114			19,591	6,778	18.67
1929-30	6,690	14,825	2,129.8	4,409			19,234	5,803	15.79
1930-31	6,760	13,932	4,321.7	6,287		3/ 1,312	20,219	5,084	9.61
1931-32	8,708	17,097	6,262.7	8,868		3/ 3,393	25,965	4,744	5.89
1932-33	8,419	13,003	9,580.5	12,960		3/ 2,379	25,963	6,004	7.15
10-yr. average 1923-24 to 1932-33 ...	7,880	14,414	3,686.9	6,024			20,437	5,927	16.53
1933-34	7,534	13,049	8,081.1	11,588	1,129	1,555	24,635	5,553	10.81
1934-35	4,799	9,636	7,647.5	10,634	3,002	3,037	20,270	5,241	12.36
1935-36 4/ ..	5,973	10,638	7,137.5	9,009	5,088	6,027	19,647	6,219	11.55
1936-37 4/ ..		12,481	5,324.0	5/ 7,100	3,237	3,237	19,581		

Division of Statistical and Historical Research, Bureau of Agricultural Economics. Exports, carry-over in United States and consumption in United States of American cotton from Bureau of Census. Production of American from Crop Reporting Board. Carry-over of American and all kinds from official and trade sources. Supply is production plus carry-over. Consumption in world from International Federation of Master Cotton Spinners' and Manufacturers' Associations. Price from records of the Division of Cotton Marketing.

1/ Spots in running bales and futures in bales of 500 pounds. 2/ Production in bales of 478 pounds net, carry-over in running bales. 3/ Federal Farm Board. 4/ Preliminary. 5/ Estimates of the New York Cotton Exchange.

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UNITED STATES DEPARTMENT OF AGRICULTURE
BUREAU OF AGRICULTURAL ECONOMICS
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WORLD COTTON PROSPECTS

U.S. DEPARTMENT OF AGRICULTURE
AGRICULTURAL ECONOMICS
BUREAU

Summary

The price of Middling spot cotton at the 10 markets was lower in August than in July, the highest daily price for the month being 12.72 cents on August 1 and the lowest 11.45 cents on August 20. The average for the month was 12.90 cents. From the first to the middle of September prices showed a rising tendency but since then have tended to decline.

Trade estimates placed the world carry-over of American cotton on August 1 at less than 7,000,000 bales against 9,009,000 bales on the corresponding date last year and an average of 6,024,000 bales for the 10 years 1923-24 to 1932-33. The indicated supply of American cotton for the 1936-37 season is roughly 18,100,000 bales. This is about 1,500,000 bales less than last season's supply, the smallest supply since 1924-25, and is 13 percent less than the average supply of 20,437,000 bales in the 10 years from 1923-24 to 1932-33. The New York Cotton Exchange Service places the world consumption of all growths of cotton in the season just passed at 27,729,000 bales. This is an increase of nearly 10 percent over last season's consumption. An increase in the world consumption of American cotton of 1,333,000 bales and in foreign cotton of 1,071,000 bales makes up the increase in total world consumption. World consumption of American cotton in the past season is estimated at 12,539,000 bales.

A very high degree of activity continues to feature the domestic cotton textile industry. During August and in the 1935-36 season consumption of American cotton in the United States was considerably greater than in the

corresponding months a year earlier. However, trade reports indicate the probability that the consumption of American cotton in foreign countries during recent months has been running considerably below the first half of the 1935-36 season. If domestic cotton consumption expands or continues at its present high level, it will serve as an important offset to any declines which may take place in the consumption of American cotton abroad. Conditions in the cotton textile industry in foreign countries vary considerably from country to country. Cotton consumption, yarn production and sales of cotton goods are comparatively high in Great Britain. In France, mill activity and cotton consumption are at low levels as a result of wage increases, shortening of hours and other measures designed to aid wage earners, and the disturbed political and economic situation in general. In Germany and Italy, foreign exchange restrictions continue to hamper cotton imports and mill consumption. The yarn production of Japan during August was the largest on record for the month. More stable economic and political conditions have tended to increase mill activity and sales of cotton goods in China, but the industry is still marking time in anticipation of lower cotton prices when the large Chinese crop begins to move into trade channels. Imports of all kinds of cotton into China were much lower during 1935-36 than in the preceding year, and imports of American suffered an especially heavy reduction.

The present estimate of the new Chinese cotton crop is for an output of approximately 3,650,000 bales. It is expected that the harvesting of a crop of this size will result in China's exporting from 300,000 to 400,000 bales of cotton, most of which probably will go to Japan. The final estimate of the cotton crop in the Anglo-Egyptian Sudan places production at 201,000 bales. This is smaller than the 1934-35 crop but 41 percent greater than

the average for the 5-year period 1928-29 to 1932-33. The first preliminary estimate of the Indian cotton acreage by varieties indicates a doubling, compared with last year, of the acreage planted to American varieties. Other things being equal, this should mean a significant increase in the supply of Indian cotton which is directly competitive with American.

Prices

The price of Middling spot cotton at the 10 markets averaged 12.07 cents in the month of August. This compares with 12.90 cents in July and 11.37 in August a year ago. The highest daily price for the month was 12.72 cents on August 1 and the lowest was 11.45 cents on August 29. The averages for the weeks ended September 5, 12, 19, and 26 were 11.68, 12.30, 12.13 and 11.97 cents, respectively. The average price of three types of Indian cotton expressed as a percentage of two types of American at Liverpool was 77.5 in August. This is slightly higher than the ratio has been in any of the last few months, but it indicates that the price of Indian cotton relative to American is still such as to encourage consumption of Indian at the expense of American. The ratio of Egyptian Uppers to American Middling also increased in August and was the highest ratio for any month since January. However, the price of Brazilian Sao Paulo Fair continued to weaken relative to American. The ratio of 93.7 for August compares with 98.3 in August of last year and an average of 96.8 in the 10 years ended 1932-33.

Stocks and Movements

The estimate of the world carry-over of American cotton on August 1, 1936, as estimated by the New York Cotton Exchange Service, has been lowered from approximately 7,100,000 bales to less than 7,000,000 bales. Carry-over on August 1 last year amounted to 9,009,000 bales. The average for the 10 years 1923-24 to 1932-33 was 6,024,000 bales. Taking 7,000,000 bales as a preliminary estimate of world carry-over and adding indicated production of 11,121,000 bales results in a prospective supply of American cotton for the 1936-37 season of roughly 18,100,000 bales. This is about 1,500,000 bales less than last season's supply and it is the smallest supply since 1924-25. It is 13 percent less than the average supply of 20,437,000 bales in the 10 years from 1923-24 to 1932-33, and it is 22 percent less than the average of 23,296,000 bales from 1931-32 to 1935-36. Since over 3,200,000 bales are government-financed cotton, the total supply of free cotton for the season, with no reduction in stocks of government-financed cotton, would be roughly 14,900,000 bales. Trade estimates place the world consumption of American cotton in 1935-36 at 12,539,000 bales.

If the world consumption of American during a substantial part of this present season should run at about the same rate that prevailed during 1935-36, the trade doubtless will have need for a large portion of the existing stock of government-financed cotton.

The New York Cotton Exchange Service reports world consumption of all growths of cotton in the season just past at 27,729,000 bales, an increase of 2,404,000 bales or between 9 and 10 percent over last season's consumption of 25,325,000 bales. Of this increase, a little over half, or 1,333,000 bales is accounted for by increased consumption of American cotton, and 1,071,000 bales represent increased world consumption of foreign cotton. The world carry-over of all kinds of cotton on August 1, 1936 is placed at slightly less than 13,100,000 bales of which approximately 7,000,000 are American and 6,100,000 foreign. This is a decline of nearly 23 percent in the world carry-over of American, an increase of 10 percent in the world carry-over of foreign cotton, and a net decline in the carry-over of all growths of about 10 percent from the carry-over figures given by the Exchange Service for August 1, 1935.

Exports

Exports of cotton from the United States were 182,487 bales in August compared with 241,484 in August 1935 and an average of 305,000 bales in the 10 years ended 1932-33. However, it is reported by the trade that sales of new crop cotton for export during the month were greater than in the same month last year. Important factors which appear to be unfavorable to cotton exports during the season are the continued restriction of cotton imports by Germany, Italy, and other countries, the probability that these countries will continue to secure a large share of their cotton supplies through barter agreement, and the movement into trade channels of the large cotton crops of China, Brazil, Argentina, and Peru. Exports should be encouraged, however, by the relatively large consumption of all growths of cotton throughout the world and by the fact that trade estimates indicate that stocks of American cotton in foreign countries are below normal.

Cotton exports from India amounted to 3,089,100 bales of 478 pounds net in the 1935-36 season. This compares with exports of 2,622,700 bales in 1934-35 and is nearly 12 percent greater than the average of 2,759,300 bales in the 10-year period 1923-24 to 1932-33.

The Textile Situation

Domestic mill activity continues to be very high. Consumption in August amounted to 574,289 bales against 408,325 bales in August of last year and an average of 470,000 bales for the month during the 10 years from 1923-24 to 1932-33. According to reports of the New York Cotton Exchange Service, sales of some lines of cotton goods were above and some below the current high rate of output, but the large volume of unfilled orders has prevented any significant accumulation of stocks. Conditions in the wholesale and retail trade are reported to be favorable. During August and in the 1935-36 season, consumption of American cotton by domestic mills has been considerably in excess of consumption in the corresponding months a year earlier. On the other hand, trade reports indicate that the consumption of American cotton in foreign countries during recent months has been running considerably below the first half of the 1935-36 season. If very large supplies of foreign cotton, nationalistic measures, or other factors should cause the foreign demand and consumption of American cotton to be less in 1936-37 than in 1935-36, the high level of cotton consumption in the United States and the probability that consumption will continue relatively high will be important offsets.

Europe 1/.-The cotton textile industry in Great Britain continues to maintain the comparatively high level of activity which has characterized it during recent months. In the month of August, as a whole, yarn sales were about equal to current output. The trade has been somewhat encouraged by the improvement in export demand evident during the month of July when shipments of unbleached cotton yarn totaled 11,393,000 pounds compared with 10,795,000 pounds in June and 10,507,000 pounds in July 1935. Exports of cotton piece goods during July were 176,100,000 yards against 170,200,000 yards in July of the preceding year. However, piece goods exports in the 1935-36 season, as a whole, totaled only 1,880,300,000 yards compared with 2,024,900,000 yards in 1934-35, and were the smallest in volume for any year on record with the exception of 1930-31. Discouraging features of the English situation at the present time are the uncertainty concerning the operation of the new Spindles Bill and the demands of spinning and carding operatives for advances in wages.

The situation of the French textile mills is still adversely affected by internal economic conditions and by an uncertainty surrounding the higher wage scales and shorter working hours for operatives. Shut-downs for workers' holidays, the impending introduction of the 40-hour week, and the fear that higher labor costs and resulting increases in prices will bring about a decrease in the demand for yarns are tending to restrict cotton buying and cotton consumption at the present time.

Cotton imports into Germany are restricted due to the shortage of foreign exchange. Arrivals of all kinds of cotton at Bremen in August amounted to 52,532 bales as compared with 113,359 bales in the corresponding month of 1935. Arrivals of American cotton in the same period were 19,628 bales as compared with 29,815 bales in August 1935.

The only sign of improvement in the Italian market for cotton during August was a slight improvement in exports of cotton goods. This increase in exports indicates the probability of some increase in the amount of foreign exchange available to purchase raw cotton. At the present time, exchange will be granted up to 75 percent of the value of cotton textiles exported from Italy. This makes the volume of cotton imports entirely dependent upon cotton textile exports. However, in spite of the small pick-up announced in the export trade, the seasonal slowing down of production during August was more marked than usual, and it is reported that many mills are completely idle and others are offering only part-time employment. This depressed situation is due not only to the limited export outlets and a consequent shortage of raw material but also to the very low level of domestic demand. Stocks of cotton goods are still believed to be very high, and, until they are liquidated, there does not seem to be much prospect for improvement in the demand for cotton textiles for the domestic market. Furthermore, it is reported that the Government intends to increase the quantity of substitute fibers which must be mixed with cotton in the manufacture of materials intended for the domestic market. This new regulation probably will become effective about October 1, 1936.

1/ The regular monthly report on cotton textile conditions in Europe prepared by Lloyd V. Steere, United States Agricultural Attache at Berlin is not available at this time, but will be included in next month's issue of Cotton Prospects.

Japan 2/.- Yarn production in August amounted to 291,818 bales, the largest yarn output on record for the month. This was the fourth successive month in which yarn production had surpassed all previous monthly records. However, for the 1935-36 season as a whole, from August to July, total yarn production was slightly less than in 1934-35.

Cloth exports during July were 228,000,000 square yards or almost the same as in July 1935. Shipments to British India, the Netherlands Indies, and Egypt and other Africa were less than the same month last year, while to Manchuria and Kwantung, and miscellaneous minor countries they were considerably larger. For the 1935-36 season, exports of cloth to all countries totaled 2,673,000 square yards or about 2 percent less than exports in 1934-35. However, with this exception, cloth exports in the season just passed were much larger than those for any preceding year. For the season as a whole, compared with 1934-35 increased shipments to Manchuria and Kwantung, India, and Egypt and Africa did not quite offset a decline in the takings of Japanese cloth by China and Hong Kong, the Philippines, the Netherlands Indies, and miscellaneous minor countries.

Imports of raw cotton in July totaled 314,468 bales, an increase of 12 percent as compared with July 1935. However, imports of American cotton were actually 63,000 bales or 38 percent less than a year ago. Imports of Indian of 200,621 bales were over 25 percent greater than in July 1935. Total imports were further swelled by the receipt of larger quantities of Egyptian, Chinese, and miscellaneous growths. Imports of miscellaneous growths, mainly Brazilian and African, of 31,530 bales were more than five times as large as in July of the preceding year but were much less than the record high importation of these growths of 55,000 bales in June. In the 12 months, August to July 1935-36, imports of all kinds of cotton into Japan amounted to 3,643,000 bales against 3,525,400 in 1934-35. Imports of American cotton were 1,549,800 bales or 42.5 percent of the total compared with 1,666,500 bales or 47.3 percent of the total in 1934-35. On the other hand, imports of Indian cotton increased from 1,545,200 to 1,608,000 bales. Takings of Chinese rose from 61,800 to 154,200 bales, which represented over 4 percent of total imports in 1935-36 against less than 2 percent in the preceding year. Imports of other or miscellaneous growths of cotton were 221,500 bales against 89,300 in 1934-35, and represented over 6 percent of total imports as compared with between 2 and 3 percent in 1934-35. Imports of Egyptian declined sharply from 162,600 bales in 1934-35 to 109,500 in the season just passed. Generally speaking, the movement of Japanese cotton imports by growths during the past season has been contrary to the trends of the last 10 or 15 years. The tendency has been for imports of American cotton to increase both absolutely and as a percentage of the total; for actual imports of Indian cotton to remain about the same but to represent a lesser share of the total; Chinese cotton to decline both absolutely and relatively; and Egyptian cotton to continue to be comparatively small but to increase both absolutely and relatively.

2/ Prepared largely from a cable from Agricultural Commissioner O. L.Dawson, Shanghai, under date of September 8, 1936.

Working and installed cotton spindles in Japan numbered 8,410,000 and 10,702,000 respectively in July 1936 as compared with 8,141,000 and 9,812,000 in July 1935. It is reported that, if no change takes place in the spinning curtailment rate, increased yarn production is to be anticipated during the autumn as a result of the rapid replacement of old spindles with new ones.

China 3/.- More stable economic conditions have helped to improve the demand for yarn and piece goods. Chinese mill activity at the present time is down to about 70 percent of capacity, but it is expected that activity will increase as soon as the new cotton crop becomes available. Yarn prices are in a more favorable position with relation to raw cotton prices than they have been for some time. It is reported that about 10,000 bales of Brazilian cotton are afloat for Shanghai. At the present time the price of Brazilian Sao Paulo cotton is very cheap relative to American.

Imports of all kinds of cotton totaled only 159,624 bales in the period, October to July 1935-36, compared with 250,692 bales in the same months last year, a decline of 36 percent. Imports of American were 49,343 and Indian, 83,455 bales or 60 percent and 14 percent, respectively, below the same months in 1934-35. Imports of 23,944 bales from Egypt were 9 percent less than during the same period in 1934-35. Although the prices of foreign cottons, in general, are low relative to American, native Chinese cotton is very cheap relative to all other kinds. Imports of all cotton amounted to only 8,293 bales in July against 18,200 in July 1935.

Deliveries of all cottons to Shanghai mills from October to August 1935-36 were 1,265,000 bales, an increase of 44 percent over the same period in 1934-35. Deliveries of both Indian and American were much below last season while deliveries of Chinese were nearly twice as large.

Production, Acreage, and Crop Conditions

United States.- The September 1 report of the Crop Reporting Board estimates the new crop at 11,121,000 bales of 478 pounds net. This is a reduction of 1,360,000 bales from the August 1 estimate, and represents a decline in estimated average yield per acre from 199.7 pounds to 179.2 pounds. This substantial downward revision in estimated production resulted from a marked deterioration in the condition of the crop in all the important producting states except North Carolina, South Carolina, and Georgia. In the territory from Mississippi and Tennessee to western Texas and Oklahoma very drastic deterioration occurred during August as a result of extremely hot, dry weather. These unfavorable developments much more than offset the moderate improvement in conditions in North Carolina, South Carolina and Georgia. The estimate of a crop of 11,121,000 bales and an average yield per acre of 179.2 pounds compares with an actual production and yield for last year of 10,638,000 bales and 186.3 pounds, respectively.

3/ Prepared largely from a cable from Agricultural Commissioner, O. L. Dawson, Shanghai, under date of September 14, 1936.

China.- The estimate of the Chinese cotton crop now stands at 3,650,000 bales. It is reported that August was somewhat cool and cloudy for the best development of cotton in the Yangtze Valley, but the crop in this area is expected to turn out materially above a year ago. Weather has been favorable during the last month in North China. If the crop is 3,500,000 bales or larger China will be on an export basis on a considerable scale, probably to the extent that exports will amount to from 300,000 to 400,000 bales. However, in order to export this much, the price of Chinese cotton will have to fall still further relative to other growths. The actual decline in price may be somewhat greater if for any reason the fall is delayed until after the new Indian crop becomes available. It is believed that lack of experience in the use of Chinese cotton in more than a limited range of uses will tend to restrict to a moderate degree its use by Japan unless the price is decidedly favorable relative to Indian.

Anglo-Egyptian Sudan.-According to the Final Progress Report for the season 1935-36, a total crop of 201,000 bales of 478 pounds net has been picked on an area of 392,400 acres, compared with 227,500 bales and 364,600 acres in 1934-35, 135,051 bales and 333,129 acres in 1933-34, and an average of 142,815 bales and 340,328 acres in the 5-year period 1928-29 to 1932-33. Production in this last season consists of 168,200 bales of Sakellaridis, 8,300 bales of American types grown under irrigation, and 24,600 bales of rain-grown American types.

India.-The first preliminary estimate of Indian cotton acreage by varieties planted up to August 1 is as follows:

Variety	1935-36	1936-37	Percentage 1936-37 is of 1935-36
	1,000 acres	1,000 acres	Percent
Oomras	8,936	8,732	97.7
Bengals	2,899	3,316	114.4
American	947	1,930	203.8
Others	1,712	1,791	104.6
Total 1/	14,494	15,769	
Total, revised	15,271		

1/ The first estimate of 14,494,000 acres for 1935-36 was subsequently revised to 15,271,000. However, no revision of the acreage figures for individual varieties is available.

On an average in the 10 years 1923-24 to 1932-33, the area planted in India up to August 1 represented 57.6 percent of the final estimate of total acreage for the season. If this average relationship holds in the present season, total Indian acreage will amount to 27,376,000 against 25,138,000 in the 1935-36 season.

The most significant feature of the data on acreage planted by varieties is the more than doubling of the acreage sown to American cotton compared with 1935-36. Other things being equal, this will mean a significant increase in the quantity of Indian cotton which is directly and intensely competitive with the bulk of the cotton produced in the United States. In recent years, India has been making strenuous efforts to increase her production of medium staple cotton. Most of the attempts to introduce American types of cotton into the principal rain grown cotton areas of India, where the dominant native types are of the Oomra variety, have ended in failure because of the unadaptability of the exotic cottons to Indian soil and climatic conditions. Some progress has been made in these areas through the improvement of the native Indian varieties. However, within the last few years, hopes of materially increasing the production of medium staple cotton for export and to satisfy the growing needs of the domestic cotton textile industry have hinged mainly upon the belief that larger quantities of American and other medium and long staple types could be grown under irrigation in the Punjab and Sind areas in northwest India. Most of the increase over last year in acreage sown to these types took place in these areas where increased cotton cultivation has been made possible by the completion of extensive irrigation projects, especially in Sind.

Brazil.- There is being included in this ussue of Cotton Prospects a table presenting the latest revised figures on cotton area, production and yield per acre in Brazil since 1921-22. The table shows not only the very great increase which has occurred in total Brazilian production within the last few years but also the much greater share of total output grown in the Southern States.

Brazil, cotton: Estimates of acreage, production, and yield per acre, 1921-22 to 1935-36

Season	Northeastern States			Southern States			All Brazil		
	Area	Production	Yield per acre	Area	Production	Yield per acre	Area	Production	Yield per acre
	Acres	Bales of 478 pounds	Pounds	Acres	Bales of 478 pounds	Pounds	Acres	Bales of 478 pounds	Pounds
1921-22	923,756	365,802	189.3	333,508	93,686	134.3	1,257,264	459,488	174.7
1922-23	1,067,413	387,765	173.6	443,918	96,509	103.9	1,511,331	484,274	153.2
1923-24	1,085,594	403,428	177.6	463,923	149,041	153.6	1,549,517	552,469	170.4
1924-25	1,455,473	564,719	185.5	456,404	174,814	183.1	1,911,877	739,533	184.9
1925-26	1,219,807	446,146	174.8	322,426	114,588	169.9	1,542,233	560,734	173.8
1926-27	1,238,861	431,156	166.4	183,153	62,259	162.5	1,422,014	493,415	165.9
1927-28	1,196,209	390,200	155.9	179,893	73,739	195.9	1,376,102	463,939	161.2
1928-29	1,223,140	384,804	150.4	170,195	45,277	127.2	1,393,335	430,081	147.5
1929-30	1,570,377	518,372	157.8	155,236	52,666	162.2	1,725,613	571,038	158.2
1930-31	1,406,772	402,146	136.6	287,229	81,201	135.1	1,694,001	483,347	136.4
1931-32	1,641,690	428,882	124.9	358,246	126,377	168.6	1,999,936	555,259	132.7
1932-33	1,177,632	258,648	105.0	493,600	191,274	185.2	1,671,232	449,922	128.7
1933-34	1,711,981	483,278	134.9	1,138,666	530,377	222.6	2,850,647	1,013,655	170.0
1934-35	2,787,046	782,255	134.2		576,517			1,358,772	
1935-36		819,023			899,366			1,718,389	

Compiled from official sources.

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WORLD COTTON PROSPECTS

Summary

The price of Middling spot cotton at the 10 markets strengthened at the beginning of the second week of September, although a downward tendency was experienced during the first half of October. The average price in September was 12.05 cents compared with 12.07 in August and 10.48 cents in September of last season. Cotton production in the United States in 1936-37 is estimated at 11,609,000 bales, on the basis of the October 1 report of the Crop Reporting Board. This is an increase of nearly 500,000 bales over the September 1 estimate and is an increase of 9 percent over actual production in 1935-36. The prospective crop, (as estimated in October) plus a world carry-over of approximately 7,000,000 bales, gives an indicated supply of American cotton for 1936-37 of about 18,600,000 bales. This is 9 percent less than average supply in the 10 years 1923-24 to 1932-33, and is 20 percent less than the average supply in the 5 years ended 1935-36.

Total world mill consumption of all kinds of cotton in 1935-36, on the basis of data furnished by the International Federation of Master Cotton Spinners' and Manufacturers' Association, is estimated to have been about 26,800,000 bales, an increase of more than 6 percent over consumption in 1934-35 and nearly 14 percent greater than average consumption in the 10 years ended 1932-33. World consumption of American cotton amounted to between 12,600,000 and 12,700,000 bales and was 12 percent higher than in 1934-35 but 6 percent less than the 10-year average. Most of the increase in world consumption of American cotton in 1935-36, compared with the preceding year,

occurred in the United States. Conditions in general seem to favor a world consumption of cotton in 1936-37 as large as or larger than that of 1935-36. However, the world consumption of American cotton insofar as it is affected by consumption in foreign countries will depend to a considerable degree upon the availability and price of American cotton relative to the supply and price of foreign cotton and upon nationalistic measures affecting cotton consumption in certain countries.

Cotton mill activity in the United States continues to be very high. Cotton consumption in September was nearly 40 percent greater than in the corresponding month in 1935 and was the largest consumption for any September on record.

Cotton consumption was at a high level in foreign countries, as a whole, during August and September. In Europe, the outlook seems to justify an expectation that the consumption of all kinds of cotton in the 1936-37 season will be as large as or larger than in 1935-36. Factors which appear to be favorable to an increased output of cotton textiles and a larger cotton consumption are the prospect for a continued brisk demand from the home market in the British Isles and favorable tariff changes in British export markets, currency devaluation in France, Italy, Switzerland, and the Netherlands, and an improvement in economic conditions in European agricultural areas, especially in the Danubian countries which are large consumers of cotton goods. Factors which may be expected to make consumption less than it otherwise would be are the continued necessity for restricting the importation of cotton and promoting the production of substitute fibers in Germany and Italy, and the probability that the benefits of currency devaluation to some countries will be, in part at least, at the expense of cotton industries in other countries. Most of the increase in the foreign

consumption of American cotton in this last season as compared with 1934-35 was accounted for by higher consumption in the United Kingdom. Increased consumption in some continental countries was offset by decreases in others. The Japanese cotton textile industry was very active during August. Both imports and mill takings of raw cotton were considerably above those in the corresponding month of 1935. However, the consumption of American cotton has declined greatly as compared with a year earlier, its place being taken by increased use of Indian and Brazilian cotton. Chinese mills were considerably more active in August than a year ago, and the relationship between yarn prices and raw cotton prices is such as to make profitable operation at a high percentage of capacity. Imports of cotton continue to be very small, and may go lower as increased quantities of the large Chinese crop move into consumption, although there will be some importation of long and medium staples.

The first estimate of world cotton production in the 1936-37 season is for a crop of about 29,100,000 bales compared with 26,500,000 bales in 1935-36 and the previous record high of 28,417,000 bales in 1926-27, should actual production be approximately equal to the estimate based on present (October) estimates. American production will represent 40 percent and a new record high foreign crop, now estimated at 17,500,000 bales, 60 percent of total world production. In the 10-year period 1923-24 to 1932-33, the United States crop accounted for 56.3 percent of world production, on the average. With world carry-over of foreign cotton on August 1 amounting to approximately 5,200,000 bales, the prospective supply of 22,700,000 bales of foreign cotton for 1936-37 is 2,000,000 bales more than in 1935-36 and 7,300,000 bales, or 47 percent greater than the 10-year average.

The tendency for American cotton to represent a smaller proportion of total world production and consumption implies that changes in the supply of American cotton tend to have a considerably smaller influence upon world cotton prices in general and, to some significant extent, a lesser influence upon the price of American cotton.

The estimate of the new Chinese crop still stands at approximately 3,650,000 bales, the highest output on record. The first estimate of the 1936-37 Egyptian crop is for an outturn of 1,947,000 bales compared with last year's actual output of 1,769,000 bales. If the Egyptian crop turns out to be this large, it will be a record high production. The second estimate of Indian cotton acreage (acreage planted up to October 1) is 5 percent smaller than the revised estimate of acreage planted at the same time last year. The 1936-37 cotton crop in Manchuria is expected to amount to about 92,000 bales which is 95 percent above the 1935-36 crop and 6 percent more than the outturn of 86,500 bales in 1934-35.

Prices

The price of Middling spot cotton at the 10 markets averaged 12.05 cents per pound in September compared with 12.07 cents in August and 10.48 cents in September of last season. The high for the month was 12.33 cents on September 12, and the low was 11.61 cents on September 1. The averages for the weeks ended October 3, 10, and 17, were 12.24, 12.07, and 12.18 cents, respectively. The decline in prices during the first 10 days of October was due, at least in part, to an improvement in the condition of the new crop. Important price strengthening factors in recent weeks have been the very high degree of activity prevailing in the domestic textile industry and the comparatively small world supply of American cotton, even after allowing for any possible improvement in crop prospects. The prices of foreign cottons relative to American are still such as to encourage their consumption at the expense of American. The price of three types of Indian cotton, expressed as a percentage of two types of American, at Liverpool averaged 78.7 in September compared with 77.5 in August and between 76 and 77 in May, June, and July. However, the price of Egyptian Uppers at 109.9 percent of American Middling represented a sharp decline from the average of 118.3 percent in August and was the lowest price for Uppers relative to American since October 1935. The price of Brazilian and Peruvian cotton continue to be low as compared with the price of American.

Stocks and Movements

The October 1 estimate of the Crop Reporting Board for a crop of 11,609,000 bales in 1936-37, plus a world carry-over of about 7,000,000 bales, gives a total prospective supply of American cotton for the season of about 18,600,000 bales. This is 9 percent less than the average supply of 20,436,000 bales in the 10 years ended 1932-33, and it is 20 percent less than the average of 23,296,000 bales from 1931-32 to 1935-36. Since slightly over 3,000,000 bales are government-financed cotton, the total supply of free cotton for the season, with no reduction in stocks of government-financed cotton, would be approximately 15,600,000 bales. The world carry-over of about 7,000,000 bales compares with a carry-over on August 1 last year of 9,009,000 bales and an average of 6,022,000 bales in the 10 years ended 1932-33. The world carry-over of foreign cotton on August 1, 1936 amounted to approximately 5,200,000 bales against 4,800,000 on the corresponding date a year earlier and the 10-year average of 4,200,000 bales. The world supply of all kinds of cotton in 1935-36 totaled about 40,300,000 bales of which 19,600,000 bales were American and 20,700,000 bales foreign cotton. On the basis of conditions in October, the outlook is for a world supply of all growths of cotton in 1936-37 of roughly 41,300,000 bales, an increase of 1,000,000 bales over 1935-36 and of 5,500,000 bales, or 15 percent, over the 10-year average. The expected increase is entirely accounted for by a larger supply of foreign cotton which is 10 percent above 1935-36 and over 47 percent greater than average, while the anticipated supply of American is considerably below both last season and the 10-year average.

Exports

Exports of cotton from the United States were 570,000 bales in September compared with 487,000 in September of last season and an average of 732,000 bales for the 10 years ended 1932-33. Exports from India in August totaled 141,400 bales compared with 103,600 bales in August of last year and an average of 156,300 bales in the 10 years ended 1932-33. Exports from India to Japan amounted to 92,900 bales compared with less than 38,000 last year and the 10-year average of 72,600 bales. Exports were also large to the United Kingdom, amounting to 17,200 bales against 17,800 last year and the 10-year average of 8,700 bales. Shipments of Indian cotton to China and most of the continental European countries, with the exception of Belgium, declined as compared with the corresponding months of 1935. Exports from Egypt during August and September were 45,446 and 94,400 bales, respectively, as compared with 54,156 and 88,356 bales in the corresponding months last season. Average exports in these months during the 10 years ended 1932-33 were 74,326 and 61,288 bales, respectively. Exports to the United Kingdom were about the same as a year earlier but somewhat below the 10-year average. Exports to Japan, amounting to 3,500 bales in August and 14,300 in September, were considerably larger than in 1935-36.

Textile Situation

Consumption

World.- Total world mill consumption of all kinds of cotton, on the basis of data furnished by the International Federation of Master Cotton Spinners' and Manufacturers' Association, is estimated to have been about 26,800,000 bales in 1935-36, an increase of more than 6 percent over 1934-35 and of nearly 14 percent over average consumption in the 10 years ended 1932-33. World consumption of American cotton amounted to between 12,600,000 and 12,700,000 bales and was 12 percent greater than in 1934-35, but 6 percent less than the 10-year average. Most of this increase in the world consumption of American cotton in 1935-36 compared with the previous year, occurred in the United States, the increased utilization in foreign countries amounting to only 300,000 to 400,000 bales. In foreign countries mill consumption of all cotton of nearly 20,500,000 bales in 1935-36 was 3 percent above 1934-35 and 18 percent above the 10-year average, while the consumption of American cotton was 6 percent greater than in 1934-35 but between 14 and 15 percent less than in the 10 years ended 1932-33. World cotton mill consumption reached the record breaking level of 1935-36 in spite of the competition of rayon and other competing fibers, continued widespread unemployment, and trade barriers and a shortage of foreign exchange in certain important cotton consuming countries. Among factors which seem likely to have accounted for the large consumption of cotton throughout the world are a rather high level of industrial production, which in the leading countries of the world is now mostly up to the pre-depression level; new uses for cotton goods; low cotton prices, which tend to stimulate cotton consumption, especially in foreign countries where the demand for cotton is more elastic; the production of increased quantities and better qualities of cotton by foreign cotton growing countries; the comparative freedom of raw cotton from tariffs and quotas which directly affect its movement; and the great expansion of textile manufacturing in the Orient with resulting lowered prices to consumers. It is reasonable to expect world mill consumption, in this present season, to be as large as or even larger than in 1935-36 unless the growth of world production and trade, which has been under way since the summer of 1932, and the probable benefits of recent currency devaluations, and beginnings of trade barrier reductions are checked by war.

It should be remembered, however, that the extent to which an increased world demand for cotton goods and a larger consumption of raw cotton result in an increased demand for and a larger consumption of American cotton, depends, to an important degree, upon the availability and the price of American cotton relative to the availability and the price of other growths of cotton. During the last 2 or 3 years, the situation has been such as to encourage the production and consumption of foreign cotton at the expense of American. In addition, trade barriers, shortage of foreign exchange, and increased production of substitute fibers have affected adversely the consumption of cotton, especially American, in two important countries, Germany and Italy, whose textile industries consume large quantities of American cotton. As pointed out above, the consumption of American cotton in foreign countries in 1935-36, while above the very low level of 1934-35, was considerably below the average in the 10 years ended 1932-33. On the other hand, consumption of foreign cotton in the world, outside the United States, (nearly all foreign cotton is consumed in foreign countries) amounted to 13,993,000 bales or slightly more than

the utilization of 13,774,000 bales in 1934-35 and was 43 percent greater than the average consumption of 9,002,000 bales in the 10-year period 1923-24 to 1932-33. Outside the United States the consumption of foreign cotton exceeded that of American by over 7,500,000 bales in 1935-36, compared with an average of 2,200,000 bales in the 10 years ended 1932-33.

In the world as a whole, American cotton represented 47.3 percent of total consumption of all growths in 1935-36 compared with 44.9 in 1934-35 and the 10-year average of 57.3. In foreign countries in 1935-36 a smaller increase took place in the relative importance of American cotton compared with the preceding year, and a sharper decline, compared with the 10-year average than in the world as a whole, the share of American in total foreign mill consumption being 31.6, 30.7, and 43.5 percent, respectively, in the 3 periods.

United States.- Domestic mill activity continues to be very high. Cotton consumption in September amounted to 630,000 bales, an increase of nearly 40 percent over consumption in the corresponding month of 1935 and the highest consumption for any September on record. Trade reports indicate that sales of both finished and unfinished goods during the last month have been equal to, or in excess of current production. The prices of goods have tended to rise and mill margins have widened on such standard lines as print cloths and sheetings. The very high degree of activity which characterizes the cotton textile industry in the United States, in the opinion of the trade, is due to two main causes. In the first place, it has been estimated by the trade that considerable part of the gain in cotton textile consumption this year over a year ago is due to a significant increase in the industrial demand for cotton textiles. In the second place, there has been a greatly increased demand from the retail trade as a result of increased sales and the necessity for replenishing stocks. In the early months of the present calendar year, wholesalers, cutters, and retailers are reported to have restricted their purchases because of uncertainties as to the future course of prices and the general business situation. However, during the same period, consumers' incomes tended to increase and retail sales steadily mounted with a resulting rapid depletion of stocks. By late spring, a replenishment of stocks was necessary, and in the meantime, consumer buying continued to increase. As the general outlook tended to improve, dealers became less afraid to build up adequate commitments and inventories. The net result of these factors has been to create a very brisk demand for the output of mills and a consequent high level of mill activity and cotton consumption.

The European Cotton Outlook for 1936-37 1/

European mill consumption of raw cotton has recovered to a large extent from the severe decline which took place in 1934-35 principally as the result of restriction in the leading continental countries, Germany, France, and Italy, has been, to a large extent, recovered in 1935-36. This improvement, which hardly seemed likely a year ago, has been due to a remarkable upturn in French and Czechoslovakian consumption, to a

1/Prepared largely from a report from Lloyd V. Steere, Agricultural Attache, at Berlin, with the collaboration of Dr. Hans Richter, Economic Assistant. Report dated September 28, 1936.

substantial increase in Great Britain, further large gains in Belgium and Austria, and fair increases in some other minor European countries. It has taken place, moreover, despite severe recession in cotton consumption incident to the abnormal conditions in Italy and Spain, and notwithstanding little change in mill consumption in Germany.

The increase in European mill consumption of all raw cotton in 1935-36 compared with 1934-35 amounted to about 450,000 bales of 478 pounds net, or approximately 6 percent. Utilization of American cotton alone increased between 300,000 and 400,000 bales, practically all of the increase occurring in Great Britain, with the Continent taking only a little more than the previous season. There was a small increase in European mill consumption of Egyptian cotton, because of larger takings by the Continent. Increased utilization of Indian cotton in Great Britain, was more than offset by declines on the Continent; on the other hand, British spinners used less of sundries growths, while continental spinners consumed more which raised total European use of sundries to a new high level.

General outlook for 1936-37. Barring unusual developments, 1936-37 mill consumption of raw cotton should not differ greatly from the improved 1935-36 level, and might rise above it.

Consumer demand for cotton goods promises to continue of good volume in a number of countries, including the United Kingdom, Belgium, the Scandinavian States, and Austria. Further gains may also be made in France, provided that the expansionist policy of the present government is successful, through currency readjustment and by other means, in promoting and consolidating general economic recovery. The Danubian countries, with good harvests and higher agricultural prices, give promise of increased textile requirements this year.

Elsewhere the outlook is less encouraging. Italy's much curtailed consumption may pick up when cheaper goods begin to replace present high priced stocks, but the immediate consumer outlook there is not too favorable. German ultimate consumption of cotton as goods is not likely to be sustained at present levels. In certain other countries, where consumer buying may increase moderately if adjustments in general economic policy are made, stocks of goods have been accumulating in the past season for speculative and investment reasons; this is particularly true of Czechoslovakia and Poland. The existence of such stocks may cause any eventual increase in consumer buying to have little influence on the volume of current mill consumption of raw material.

The export outlook for cotton goods for the European manufacturing countries seems, on the whole, to hold out promise of some improvement during 1936-37. Encouragement is to be found chiefly in the fact that, this year for the first time in several years, there seems likely to be a certain revival in international trade in several important agricultural products, or at least in the income from such trade because of higher prices. This is particularly true of grains, but extends also to livestock products, including wool, to cotton, and to oilseeds. The Danube area, which is an important textile consumer, is one area that should benefit noticeably from these developments, but various non-European areas should also profit, with corresponding increase in their ability to buy goods, including cotton goods, from their European customers.

A second favorable factor is the recent general readjustment in currency relationships. While temporarily disturbing, this seems certain to have generally beneficial effects upon international trade, including that in textiles, For some countries, particularly Great Britain, recent tariff developments in overseas markets are such as to give considerable confidence in a certain pickup in textile exports.

While the cotton goods export outlook thus seems generally to be a little more encouraging, some cotton goods exporting countries may not be able to benefit from the situation. Thus, Austria and Czechoslovakia, which have benefited greatly from Italian withdrawal from the Danubian and Balkan markets, may find Italy able to regain a good share of her former business, and be forced to curtail output somewhat, even though Danubian demand may improve this year. Increased wage and other costs may no longer impair France's competitive ability in export markets, because of franc devaluation. Other countries may also be affected by their own currency policies, or those of other countries, in the event of widespread monetary readjustment. There are thus a large number of uncertainties in the situation, as between countries, and from a competitive standpoint, yet, at the same time, some reason to anticipate a certain pick-up in cotton goods exports in the current cotton year.

Artificial and substitute spinning materials will continue in 1936-37, to play a role in the replacement of raw cotton in Germany and Italy, but will be of no great significance elsewhere.

Mill consumption.- All these considerations taken together point to the possibility of some further improvement in mill consumption of raw cotton in Great Britain and perhaps some minor European countries; to maintenance of the favorable levels attained in Belgium and in France, particularly since the latter has just revalued the franc; to possibly some pick-up in Italy and certainly in Switzerland which has also adjusted her currency; to only small recession from the enhanced levels of 1935-36 mill consumption in Austria, Czechoslovakia and Poland; and to a decline in Germany. The result of such developments would probably be a European mill consumption in 1936-37, not greatly different from 1935-36, and possibly somewhat higher.

American cotton.- Consumption of American cotton by European spinners has increased from 51 percent of total cotton consumption in 1934-35 to 53 percent in 1935-36, but has remained low in comparison with the 67 and 71 percent recorded for 1933-34 and 1932-33, respectively. The small relative gain in the consumption of American cotton has been entirely in the United Kingdom, while the Continent as a whole has further decreased its relative consumption of American and, excluding Germany and Italy has barely maintained it. This is to be attributed to price-relationships which, while favorable in the first part of the campaign, were unfavorable in the latter part to the utilization of American cotton compared with competitive growths. The new marketing season for American cotton began with the advantage of relatively higher prices prevailing for Egyptian and Sudan staples, but Egyptian Uppers weakened greatly in September, and Indian, Brazilian and other growths are in fairly good supply at prices favorable to their use. If these price relationships persist, it may be concluded that the relative consumption of American cotton in Europe during 1936-37 will not differ significantly from that in 1935-36, possible gains in England probably being offset by developments on the Continent where Germany, under a new trade agreement with Brazil, will again be able to avail herself of large raw cotton supplies from that country.

Raw cotton imports.- As a result of developments that were directly opposite in the previous season, as well as of a tendency to refill depleted stocks, European net imports of raw cotton destined for spinning during 1935-36 have exceeded mill consumption by a considerable margin. Thus, while mill consumption in Europe rose about 6 percent in 1935-36 over 1934-35, net imports of raw cotton increased almost 20 percent. They amounted to fully 9,000,000 bales, as compared with 7,545,000 bales in 1934-35, 9,531,000 in 1933-34, and 8,826,000 bales in 1932-33. 2/

Stocks of raw cotton in ports and mills.- The refilling of European port and mill stocks during 1935-36 has not been important. Mill stocks remained unchanged. Port stocks on the Continent outside of France also remained largely unchanged; in Great Britain and France they showed some increase. European port stocks may still be considered as very low, and mill stocks as moderate.

European port and mill stocks of raw cotton

(1,000 bales of 478 lbs. net)

Item	Aug. 1, 1931	Aug. 1, 1932	Aug. 1, 1933	Aug. 1, 1934	Aug. 1, 1935	Aug. 1, 1936
Port stocks	1,773	1,476	1,771	1,751	1,004	1,211
Mill stocks	1,181	1,146	1,342	1,398	1,240	1,278
Total	2,954	2,622	3,113	3,149	2,244	2,489

Brief Notes on Individual Countries

Great Britain.- General industrial and commercial activity in the British Isles continues at high levels, and favorable developments in business conditions during the next year seem to be in prospect. The likelihood of good demand at home and rather favorable tariff developments recently in British overseas markets thus give no indication that a lower rate of raw cotton consumption is to be expected in the coming year. If there are no serious European political disturbances, moderate further improvement even seems possible.

Germany.- There appears to be considerable probability that the consumption of raw cotton in Germany in 1936-37, both by mills and for other purposes, will be lower than in 1935-36, though no abrupt decline is to be expected. There is certain to be growing replacement of raw cotton by artificial fiber, the admixture of which to raw cotton in the production of ordinary counts of cotton yarn has been raised from the 8 percent required in the first half of 1936 to 16 percent beginning with August. In fact, a recent speech of a German textile leader indicated that rayon staple fiber production in Germany amounted to 7,200 tons in 1934, to 15,600 tons in 1935, and is expected to reach 45,000 tons in 1936 and 70,000 in 1937. The 16 percent admixture referred to above would mean approximately 150,000 bales of staple fiber per annum.

2/ Figures calculated from International Institute of Agriculture data which include raw cotton as well as some cotton waste. The figures contain an appreciable share of raw material used for other than spinning purposes.

The raw cotton supply up to the middle of this year has been relatively satisfactory, despite a considerable reduction in the latter part of the season and an increase in the percentage of unsatisfactory qualities. Reduction in available stocks has gone far in the past 2 years, however, and there now appears to be practically no margin left for further consumption from supplies on hand. Tension in the supply situation is also indicated by various ordinances issued in recent months, such as the placing of rayon staple fiber purchases and deliveries under the rationing system of the Supervisory Offices, and the subjection to Supervisory Office control of yarn deliveries even from the spinning department to the weaving department of one and the same enterprise. On the other hand, a new trade agreement concluded with Brazil this summer will facilitate imports of large supplies of raw cotton from the abundant 1936 Brazilian crop.

A considerable increase in German flax production this year is also expected to aid in the gradual replacement of raw cotton by other spinning materials.

Czechoslovakia.- A remarkable increase occurred in cotton mill activity in Czechoslovakia in 1935-36, according to the cotton consumption figures recently released. This fact, however, has been concealed by almost continuous complaints and the issuance of unfavorable reports by the industry. The enhanced output has been partly based on increased exportation of cotton yarns to Rumania and Yugoslavia, incident to Italy's withdrawal from those markets, but it also appears that cotton goods have accumulated in the country during 1935-36 to a considerable extent. Mill consumption of raw cotton in 1936-37, therefore, may not come up fully to the enhanced level of 1935-36, although demand from Danubian countries may prove larger than anticipated. The recent introduction of currency control and import license control, even for industrial raw materials, is already thought to have cut into Czechoslovakian cotton mill activity.

Austria.- In the spring of 1936 Austrian cotton mill activity, which had risen to extraordinary levels under the stimulus of huge cotton yarn exports to southeastern Europe, notably Rumania, experienced a sharp curtailment when export business to Rumania came to a standstill. Recent reports have indicated some improvement in the export situation, but it seems unlikely that the new season will come up to the figures for the 1935-36 season, when record consumption occurred notwithstanding the fact that the number of spindles in place was only about 75 percent of the average number in 1926-27 and 1927-28.

France.-A remarkable upturn in cotton mill consumption in France during 1935-36 was brought about by the abandonment of deflationary in favor of expansionistic policies, and the present situation, despite recent marked increases in costs of production, is viewed optimistically. Moreover, now that devaluation has taken place, France stands a good chance of maintaining and even accelerating economic recovery, with corresponding improvement in the rate of cotton mill activity.

Italy.-3/ A greatly reduced mill consumption of raw cotton in Italy in 1935-36 has resulted from official restriction of imports, and a general decline in cotton goods consumption and exports. For a number of months, only Italian exporters of cotton goods were permitted to import raw cotton, with the result that imports dropped heavily. Large stocks of finished cotton goods carried over from last year made such a decline possible without a drastic reduction in consumers' supplies.

A recent decision of the authorities is expected to make for improved purchases of cotton from abroad, since, beginning with October 1, manufacturers of cotton goods for the domestic market will also be granted a small import quota for raw cotton, while exporters, it is understood, will be allowed to import cotton with the entire proceeds of cotton goods exports. Dealers estimate that, as a result of these measures, imports of raw cotton during the last quarter of 1936 will increase to between 60 and 65 percent of normal requirements.

It is expected that a new decree regulating the mixture of substitute fibers and colonial cotton with raw cotton from abroad in the manufacture of cotton yarn (except for export purposes) will raise the percentage of admixture to 15 or 20 percent compared with the 5 percent decreed on March 9, 1936.

Russia - the outlook for 1936-37.- Owing to the increased production of domestic cotton, Russia's dependence upon foreign supplies of raw cotton in recent years has dwindled. By 1933 imports had dropped to but a small fraction of the total consumption of raw cotton by the Soviet cotton textile industry. Some pick-up of imports took place in 1935 to offset the disappointing outturn of the domestic crop, but apparently it is not planned to continue importation of raw cotton on even the moderate 1935 scale, and 1936 imports are expected to show a considerable decline compared with the preceding year. Thus, barring very unfavorable climatic developments, Russian cotton textile production may be taken to depend almost exclusively upon domestically produced cotton, notwithstanding the fact that there are great possibilities for an expansion of cotton textile production beyond the limits set by the domestic crop.

Japan.-4/ August was an active month for merchants, spinners, and weavers in the Japanese cotton textile industry. Cloth exports declined slightly during the month as compared with a year earlier, but increased domestic consumption of cotton goods fully compensated for the small decline in the export trade. In recent months, the Japanese have shown a tendency to shift away from American cotton and to use larger quantities of foreign growths. This tendency was very evident in August both in imports and mill takings. Imports of all kinds of cotton during the month amounted to 266,658 bales, an increase of 51 percent compared with August 1935. However, imports of American cotton amounted to only 54,800 bales, or 11 percent less than in the corresponding month a year earlier. On the other hand, imports of Indian cotton were over 146,000 bales, or 48 percent

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3/ Information received from Consul Lester L. Schnare, of Milan.
4/ Prepared largely from a cable from Agricultural Commissioner O. L. Dawson, Shanghai, under date of October 15, 1936.

greater than a year earlier, and imports of miscellaneous growths, chiefly Brazilian, totaled 54,570 bales, or more than eight times their volume in August 1935. Imports in the 12 months ended August 1936 show a less striking, although significant, change from the same period a year earlier. Total imports of all kinds of cotton in the 12 months ended August 1936 amounted to 3,737,000 bales, or 10 percent more than in the corresponding period a year earlier. However, imports of American cotton of 1,553,000 bales represent a decline of 4 percent; imports of Egyptian of 113,700, a decrease of 29 percent; and imports of Indian of 1,661,000 bales, an increase of 14 percent as compared with the preceding 12 months. Receipts of Chinese cotton of 145,500 bales were 2½ times their volume in the preceding 12-month period and imports of miscellaneous growths of 263,000 bales were over three times as great as in the preceding period. Mill takings show a similar change in direction. Total takings of all kinds of cotton in the 12 months ended August were only slightly larger than in the corresponding period a year earlier, but total mill takings in the month of August were 17 percent greater than in August a year earlier. American cotton declined by 40 percent while mill takings of Indian increased nearly 50 percent, and miscellaneous growths - including Chinese- were four times as great . The recent sharp decline in the importance of American cotton in Japanese mill consumption probably can be attributed to three main causes. First, the high price of American cotton relative to other growths during the last 2 or 3 years. The decline in the consumption of American cotton at the present time, probably is a reflection of the operation of forces which have required some little time to make their effects visible. While the price of American cotton is now no higher relative to that of foreign growths than it has been during many months in the last few years when Japan has imported much larger quantities of American cotton, it is only at the present time that alterations in spindles to meet changes in mixing formulae and completion of transportation and merchandising arrangements for securing increased amounts of Indian, Brazilian, African, and Peruvian cotton have made themselves fully felt in a decreased use of American cotton. In the second place, it is reported that the added tariff duties imposed on textiles entering the United States are resented by the Japanese textile industry. The large spinners who purchase practically all of the raw cotton consumed in Japan are also the manufacturers of most of the broad-weave cloth which enters into the export trade. While no boycott has been declared against American cotton, it is believed that sentiment against the United States because of its tariff increase has tended to reduce the consumption of American cotton. A third factor is the increased availability of Brazilian cotton and its general adaptability to most of the uses to which American cotton is put. Imports of American cotton in August were exceeded for the first time by imports of Brazilian. If, as seems likely, these are the causes of the recent sharp decline in the use of American cotton by the Japanese cotton textile industry, they are factors which are permanent or can be reversed only by very drastic changes in the conditions that have brought them about.

China.- 5/ The position of the Chinese cotton textile industry is considerably more favorable than a year ago. It is estimated that Chinese mills were operating at about 80 percent of capacity in August compared with 65 percent a year earlier. Japanese mills are believed to be operating

5/ Prepared largely from a cable from Agricultural Commissioner O. L. Dawson, Shanghai, under date of October 15, 1936.

at close to 100 percent. Some of the Chinese mills which have been more or less inactive during the latter part of this past season are resuming operations in view of the improved demand for yarn and the prospect of lower raw cotton prices. Yarn prices advanced significantly during the month and were proportionately greater than increases in raw cotton prices, thus improving the relationship between yarn prices and cotton prices which is reported to be at the most favorable level for the last few years. Cotton prices during the month advanced slightly in spite of the bumper Chinese crop. This unexpected strength in prices is attributed to a slow movement of cotton from the interior owing to a lack of transportation facilities, and also because farmers are holding cotton in anticipation of higher prices. However, spinners seem to believe that present prices are too high, and they are tending to delay making large purchasesuntil the movement of the crop becomes heavier, when, they anticipate, prices will decline. Imports of cotton continue to be very small. At the present time, only some 2,000 bales of Indian, 16,000 of Brazilian, and 1,000 bales of American are due to arrive at Shanghai according to trade reports. Deliveries to Shanghai mills in September totaled 49,000 bales, of which 39,000 were Chinese cotton, 1,000 American, 4,000 Indian, and 5,000 bales other growths. In the 12 months ended September, deliveries of all kinds of cotton amounted to 1,315,000 bales, an increase of 37 percent over deliveries in the corresponding months a year earlier. Most of the increase was accounted for by the fact that deliveries of Chinese cotton nearly doubled from 686,000 to 1,136,000 bales, while American declined from 148,000 to 55,000 bales, and Indian from 95,000 to 78,000 bales. Deliveries of Egyptian cotton remained about the same at 25,000 bales. All other growths, while still relatively small, trebled, amounting to 21,000 bales compared with 7,000 a year earlier.

Production, Acreage, and Crop Conditions

World.- Total world production of cotton in the 1935-36 season is placed at 26,500,000 bales of approximately 478 pounds net. Of this total, about 10,600,000 bales represented production in the United States and 15,900,000 were produced in foreign countries. This compares with a United States and a foreign production in 1934-35 of 9,600,000 and 14,200,000 bales, respectively, Of the increase of about 2,700,000 bales in total world output in 1935-36 as compared with 1934-35, American cotton accounted for about 1,000,000 and foreign for about 1,700,000 bales. In the 10 years ended 1932-33, cotton production in the United States averaged 14,400,000 bales or 3,200,000 more than the average production of foreign cotton in the same period, whereas in 1934-35 and 1935-36 foreign production has exceeded American by 4,600,000 and 5,300,000 bales, respectively. With the 1936-37 crop in the United States estimated at 11,600,000 bales, on the basis of October 1 conditions, and the foreign crop preliminarily estimated at a new high of 17,500,000 bales, prospective total world production is placed at about 29,100,000 bales, somewhat higher than the previous record high output in 1926-27. However, should actual production this season be approximately the same as present conditions indicate, the crop in the United States will represent 40 percent of the total world production compared with 63.3 in 1926-27 and an average of 56.2 percent in the 10 years ended 1932-33.

United States.- The October 1 report of the Crop Reporting Board places the 1936-37 crop at 11,609,000 bales. This is an increase of nearly 500,000 bales over the September 1 estimate and is an increase of 9 percent over actual production in 1935-36. The indicated yield per acre is 186.9 pounds or about the same as last year and 17 pounds more than the average yield in the 10 years ended 1932-33. The condition of the crop improved during the month in all of the important cotton growing states except Texas and Oklahoma.

China.-The 1936-37 Chinese crop is still estimated at about 3,650,000 bales, although it is believed that this figure may be revised upward moderately. So far the weather has been very favorable for the maturing and the picking of the largest Chinese cotton crop on record. It is reported that picking is well advanced and cotton is arriving in the important market centers in considerable volume although not so rapidly as had been expected, apparently because of a shortage of transportation facilities and the tendency for some farmers to hold their cotton for better prices. It is believed that the production of the better staples will not show so large an increase over last year as will the crop as a whole because dry, summer weather has restricted plant development in northern Honan province. It is also reported that the crop of short, rough cotton which is produced mainly in North China is only a little larger than last year. Since stocks of the longer staple Chinese cottons are very low and the increase in their production promises to be smaller than was originally anticipated, it is probable that imports of medium staple cotton during the next few months will be larger than the trade has previously thought necessary.

India.-The second official estimate of the Indian cotton acreage gives the area planted up to October 1 as 20,989,000 acres, a decrease of 5 percent from the 22,114,000 acres planted up to October 1 of last season. On the average, in the 10 years ended 1932-33, 82 percent of the total cotton area has been planted by October 1. If this average relationship should prevail in the present season, the total cotton area of India would be 25,474,000 acres, or only slightly above last season's final estimate of 25,138,000 acres. It should be remembered, however, that this is only a very rough method of estimating the final acreage for the season, since the proportion of the total acreage planted up to any given date varies considerably from year to year. An average of forecasts made by five or six of the leading firms of cotton merchants in India results in an estimate of Indian production about 14 percent greater than the 1935-36 crop of 4,793,000 bales. However, in view of the somewhat smaller acreage planted on October 1 than on the corresponding date last year the prospective Indian crop for 1936-37 is placed conservatively at 5,000,000 bales of 478 pounds net.

Egypt.-The first estimate of Egyptian production in the 1936-37 season is for a crop of 1,947,000 bales of 478 pounds net, compared with last year's output of 1,769,000 bales. If actual production turns out to be as large as this first estimate, it will be a record high, the largest production in any previous year being 1,777,000 bales in 1933-34. Ginnings up to October 1 totaled 377,000 bales, an increase of 83 percent above ginnings to the same date last year. Most of this increase in ginnings is accounted for by

varieties other than Sakellaridis. Earlier in the season, estimates of acreage planted by varieties indicated that this season would see a further decline in the production of Sakellaridis and an increase in the area and output of other varieties, part of the increase in other varieties to be represented by a larger output of extra-long staple, roughly comparable in quality to Sakellaridis, but the larger part of the increase to be made up of moderately long staples of the Uppers variety. This being the case, this increase in Egyptian cotton production will mean a more than proportionate increase in the output of foreign cotton which is directly competitive in grade and staple with the very best qualities of American Upland.

Manchuria.- The first estimate of the Manchurian cotton crop for 1936-37 is for an output of about 92,000 bales, a considerable increase over last year's crop of 47,000 bales and 6 percent more than the production of 86,471 bales in 1934-35. On the whole, climatic conditions in Manchuria are not very favorable to cotton production and unseasonable rains, drought, and frosts often cause serious crop losses.

Russia.- All Soviet press reports speak of a further increase in domestic cotton production in 1936, despite climatic conditions only moderately favorable during the sowing and ripening periods. Belief is generally professed that this year's plan, providing for a cotton crop of about 2,760,000 bales of 478 pounds will be achieved and will even be exceeded. The attainment of this figure would mean an increase compared with the officially reported estimate of 2,430,000 bales for 1935 6/. Better seed, earlier sowing dates, improved cultivation and fertilization are indicated to be the chief factors making for higher yields.

The so-called "new non-irrigated cotton regions" (in European Russia), which account for about 20 percent of the total acreage in cotton, are reported to be expecting a cotton crop considerably larger than last year, partly as the result of a further increase in acreage but chiefly because of higher yields. These "new regions" have been harvesting very low yields.

It remains to be seen how all these factors have affected the yield, and whether a crop as large as called for by the plan will be harvested. Some further increase in yields is probable, but hardly one of the extent indicated in the early reports. An unfavorable factor in the situation is the reported slow progress of harvesting, with a tendency to wait until all the crop has ripened before beginning work, which may well result in deterioration and loss of high quality cotton.

6/ This figure, however, does not represent the quantity of cotton actually available for consumption in view of the fact that considerable losses in storage occurred during the past season from the delivery of a part of the crop unripe and in very moist condition. The production available for consumption in 1935-36 is believed to have been about 2,250,000 bales.